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ABSTRACT

This guide discusses the results of a national survey of school administrators who were asked to rank from a list of 13 problems the top problems facing their schools today. Their responses, which are discussed in this report, include how to cut costs in areas like salaries, fringe benefits, and energy: how to better manage their schools and set priorities: and how to maintain quality and effectiveness. Included are various case studies and step-by-step procedures for reducing school costs. (Author/LD)

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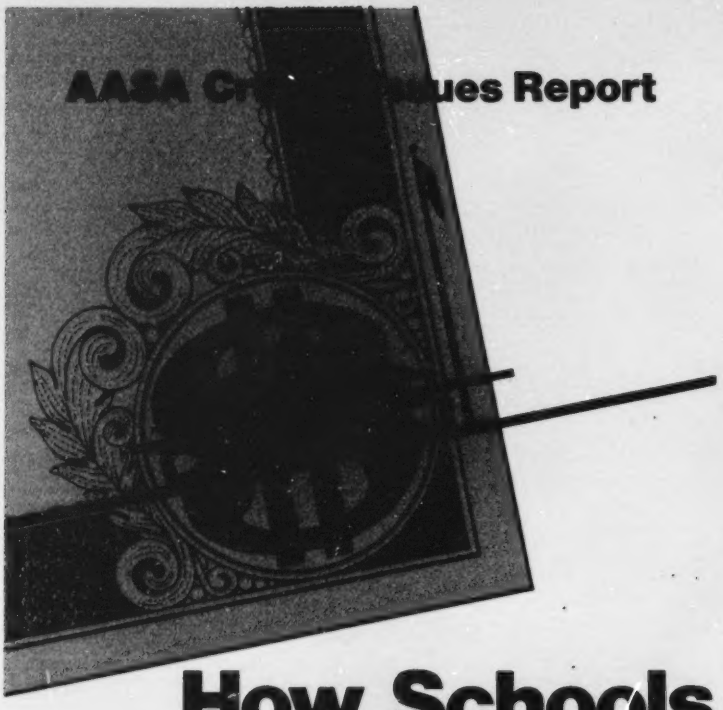

How Schools Can Save $$

PROBLEMS AND SOLUTIONS

AMERICAN ASSOCIATION OF SCHOOL ADMINISTRATORS

by Peggy Odell Gonder

Produced by
Education News Service
Sacramento, Calif.
for the
American Association of School Administrators

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The AASA Critical Issues Series

Many of the critical issues facing schools today are controversial. Some are new. None has a single best answer. Yet, administrators and boards of education must determine what is best for their communities. Realizing this, the American Association of School Administrators saw the need for a new series of in-depth records to help administrators and boards.

This is the sixth report in the **AASA Critical Issues Series**. Like the others, it provides an in-depth analysis of the root causes and possible answers to a critical school problem. Special emphasis is placed on "how to" suggestions from experts and successful programs, thus saving schools the costly and time-consuming effort of "reinventing the wheel." The goal is to help schools learn from the successes and failures of others — and from the lessons of research — in clear, non-jargon English.

Our thanks to all those who helped — administrators and other school personnel, staff members of state legislative organizations and state school boards associations, and experts in the fields of budgeting, collective bargaining, energy and insurance.

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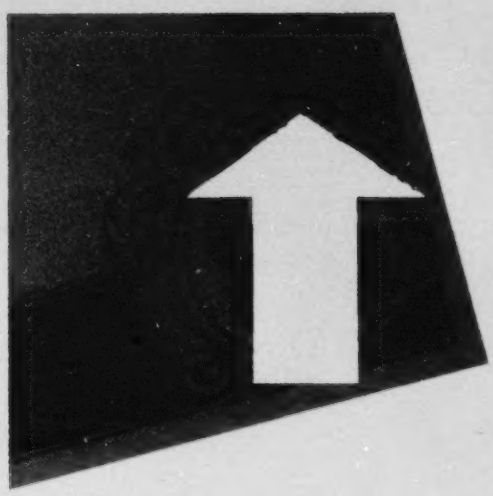


Chapter I

Introduction: The Problem

The problem confronting schools today and during the years ahead is stark — expenses are going up at a rapid rate and income is not going up fast enough to meet the added cost. The result is obvious. Balancing the school district budget in the 1980s is going to be one of the toughest jobs confronting school administrators and school boards. Cutting out waste has become, by necessity, a top priority of school administrators interested in survival.

The causes of this fiscal crunch are many: declining enrollment; double-digit inflation; higher payrolls for an aging, better educated teaching force; demands for increased fringe benefits and more job security; escalating energy costs; and a tax revolt. As a result, administrators and boards of education are being pushed into a tight corner. Some fear the future of public education is endangered as never before. *All are looking for ways to save school dollars.*

The nation already has witnessed the impact of unbalanced budgets in several of the nation's largest school districts: disrupted education, unmet payrolls, teacher walkouts and school closings; charges of mismanagement, public acrimony and reluctance of city and state governments to "bail out" districts in default.

Educators themselves must take some of the blame for the uncomfortable position they find themselves in. Generally, they have not explained clearly why it costs as much or more to educate fewer students. Nor have they explained the increased role they are asked (sometimes required) to assume in student lives.

That bleak view is underscored by the responses of school administrators to a **Critical Issues Survey** for this report. More than 1,200 out of 1,517 respondents — or 75 percent — said they faced "serious" budget problems. Moreover, more than two-thirds of the 75 percent said their problems were "more serious" than they were just two years ago.

The respondents were asked to rank their top three problems from a list of 13 items included in the survey. The list included cost increases for salaries, fringe benefits, utilities, maintenance and operation, insurance and transportation; the cost of complying with government mandates; underused schools; and inflation. Respondents also could choose from these items: "We have proportionately more teachers than we did several years ago"; "We have proportionately more administrators than we did several years ago"; or "Other."

The No. 1 school budget problem nationwide, as revealed by the survey, is increasing staff salaries. It was mentioned by 321 respondents, or 25 percent of all those who said they were having serious budget problems. Another 30 percent of the respondents who claimed serious budget problems ranked increases in salaries as the second or third most serious problem for their districts.

The salary issue seems equally acute in all parts of the country. When results were analyzed by five regions, salaries far outranked all other causes of budget problems. In the South, utility costs rivaled salaries for the No. 1 spot, as did "tax revolt" in the West.

The No. 2 budget problem nationwide, according to the survey, is the rising cost of coal, gas, oil and electricity.

The impact of inflation on the purchasing power of schools emerged in third place.

Administrators from Western states ranked increases in fringe benefits as the No. 2 budget problem. When asked to elaborate, administrators from all parts of the country mentioned health insurance almost to the exclusion of other fringe benefits.

New England administrators, on the other hand, ranked the cost of complying with federal and state mandates — especially in special education — as the No. 2 budget problem. A sprinkling of responses mentioned Title IX and bilingual education laws, but the overwhelming majority nationwide peg special education mandates as the top mandated budget breaker.

School administrators from the South are concerned about the increasing cost of maintenance and operation, primarily in the areas of fuel costs, parts and labor. They ranked those costs as their No. 2 budget concern.

Other responses which ranked in the "top three" in at least one state were: increasing costs of transportation, "the district has proportionately more teachers than several years ago," and "under-used schools." One response — "we have proportionately more administrators than several years ago" — was conspicuous by its absence.

The results of the **Critical Issues Survey** agree with the findings of other recent AASA surveys of its membership. "School finance" and "budget problems" consistently rated first or second place among a large number of possible concerns.

The View of Board Members

School administrators are not the only ones concerned about balancing the budget. The National School Boards Association (NSBA) surveyed its membership to identify problems of great concern. Board members were asked to choose the three "most pressing concerns" from a list of 17 items. When rank ordered, eight out of the top 11 concerns of 878 respondents were budget related. The results appeared in *Minimum Competency*, an NSBA Research Report.

According to the NSBA report, the majority of 125 write-in responses concerned money, inflation, balanced budget, finance, decreased state aid and resistance to property taxes. The term most often used was "mandates," as in "state mandates," "mandated programs without full funding," "fitting mandated programs into the budget," or "inadequate state funding coupled with mandates."

The View of the Public

The public named "lack of proper financial support" as the third-biggest problem with which public schools must deal, according to the 1979 Gallup Poll of the Public's Attitudes Toward the Public Schools. In first and second place were "lack of discipline" and "use of dope/drugs."

The same Gallup Poll revealed that only one person out of eight (12 percent) claimed to know the annual cost of educating a child in the local public schools. Those who did, however, named a figure substantially below the real cost.

The Gallup researchers concluded:

"It can be argued that if the actual cost per child per school year . . . were more widely known, then greater attention would be given to public school education. On the other hand, it can be argued that since the actual costs of public school education are substantially higher than the figure the public has in mind, greater pressures would be brought upon the schools to cut costs, which could result in a lowering of the quality of education."

Another question in the poll asked those surveyed if they would approve or disapprove of a law in their state that would put a top limit or cap on the amount of money which could be included in the local public schools' annual budget. Forty-two percent disapproved; 33 percent approved. Twenty-one percent either didn't know or didn't answer.

Those who approved of a cap cited these reasons, in order of frequency: (1) there is too much waste; (2) a limit is necessary or there will be no end to increases in spending; and (3) taxes are already too high.

Another gauge of public opinion — surveys by the National Opinion Research Center at the University of Chicago — gives a slightly different picture of public support of public education. More than half (51.6 percent) of those surveyed in 1978 said "too little" is spent on education. Only 10.9 percent said "too much" is spent, while 33.6 percent judged the amount to be "about right."

Budget Problems: Why?

In 1977, expenditures for public schools exceeded $66 billion — 62 percent more (after inflation) than was spent for public education 10 years earlier. In 1967, expenditures for public schools amounted to almost $41 billion (expressed in constant 1976-77 dollars).

Public school enrollment started to fall in 1971, first at the elementary level, then at the secondary level. It is expected to continue downward until 1986, according to the National Center for Education Statistics (NCES), when a slight increase in total enrollment is predicted.

Declining enrollment doesn't happen evenly. Some districts, states and areas of the country have been more affected than others, so generalizations are difficult. Nevertheless, total K-12 enrollment in the nation's public schools dropped 5 percent between 1968

and 1978, while the number of teachers increased by 13 percent, according to NCES statistics. Looked at in a different way, the public school pupil-teacher ratio decreased from 25.4 to 20.9 in elementary grades and from 20.4 to 18.1 in secondary grades in the 10-year period.

Another plus in some ways — but nevertheless a significant cost factor for public schools — is a steady increase in the experience and training of public school teachers. Both factors are used to determine teacher placement on salary schedules.

In 1961, almost 15 percent of public school teachers had less than a bachelor's degree. That proportion was less than 1 percent in 1976. Another change is the proportion of teachers holding master's degrees. Between 1971 and 1976, the proportion increased from 27 to 37 percent. By comparison, 21 percent of teachers had master's degrees in 1961, NCES statistics show.

The majority of the nation's public school teachers have from 3 to 19 years' experience. Judging by statistics, they are increasingly reluctant to leave teaching. Approximately 37 percent of the nation's teachers had 3 to 9 years' experience in 1961. Fifteen years later, 45 percent were in that category. Teachers with 10 to 19 years' experience comprised 25.5 percent of the nation's public school teaching force in 1961 and 29.8 percent in 1976. The only dropoff can be seen in the proportion of teachers with 20 or more years of experience.

This "locked-in" teaching force, combined with declining enrollment, translates into few openings for newly trained (and less expensive) teachers. The proportion of beginning teachers in U.S. schools dropped from a high of more than 18 percent in 1966 to slightly over 11 percent in 1976.

Other changes have affected school budgets. For example, more than one-half (53 percent) of secondary school principals surveyed in 1977 reported an increase in their schools in the number of specialists (psychologists, resource teachers), compared to five years earlier. An increase in use of school facilities for community related activities was reported by 59 percent of the principals. More than one-third (36 percent) reported an increase, moreover, in education programs offered adults. The principals' responses are reported in *High School '77*, published by the National Institute of Education.

School expenditures for energy have soared in recent years — another contributing factor to stretched-to-the-limit budgets. The cost of fuel per student in 1978-79 averaged $57, according to Educational Facilities Laboratories. That is almost three times what schools were paying in 1973 ($20). Another threefold increase in fuel prices is expected by 1985.

One illustration: many school districts are using more fuel for transportation of students. In 1968, approximately 42 percent of all public school students were being transported at public expense at a cost of about $57 per student, excluding capital outlay. In 1976, 55 percent of all students were riding buses to school at almost double ($104) the 1968 cost.

Inflation is a double-edged sword. While increasing costs to schools for such items as employee health benefits and fuel, the inflation rate also cuts into the purchasing power of taxpayers, making them less willing to accept increases in school funding. In early 1979, the inflation rate topped 10 percent, the second highest increase in the cost of living since 1947. The Consumer Price Index more than doubled since 1967, which effectively halves the amount of goods and services consumers can buy for the same amount of money.

Mandates: Many administrators responding to the **Critical Issues Survey** for this report cited state and federal mandates as a costly item. By far the most expensive requirement comes from the Education for All Handicapped Children's Act. It guarantees a free and appropriate education for all youth, regardless of handicap. The law requires extensive testing and record keeping, and it has meant that many districts have had to hire specialists such as psychologists and resource teachers at the same time they are trying to trim their budgets because of declining enrollment. The law requires that children be educated in the "least restrictive environment appropriate to their needs," which often means that handicapped children are joining regular classrooms. To adequately serve these children, many schools have had to provide inservice training for classroom teachers and additional aides.

A study by the Pennsylvania Department of Education revealed that districts spend two to four times more to educate special education students than regular students.

Other mandates with cost implications for school districts include: making school programs accessible to handicapped students, which can mean architectural changes; complying with Title IX mandates to eliminate sex discrimination; and complying with state requirements such as student minimum competency testing and remediation.

Other state requirements can add to district budget woes by limiting the flexibility of local administrators. In many states, efforts are being made to limit class size. A state-mandated maximum class size effectively tells districts how many teachers they must hire. Mississippi requires districts to provide bus service to all students who live farther than one mile from school. In

states where districts cannot raise property taxes unilaterally, elections can be costly and can precipitate a crisis when voters refuse to approve tax increases. Levy defeats in 1976 to 1978, for example, caused schools to close in Ohio, Connecticut and Oregon.

State limitations are a major concern for some of the nation's school administrators. Massachusetts respondents to the survey for this report ranked a state-mandated "budget cap" as their No. 1 budget problem. In Massachusetts, schools do not have independent authority to levy and collect taxes. Instead, their funds are provided by local governments, which are restricted by the budget cap.

A significant number of respondents in four other states (Nebraska, New Jersey, Pennsylvania and Washington) mentioned state aid or the school finance law as a source of budget problems. A write-in response — "tax revolt" — was the top problem of Idaho administrators and was mentioned by many respondents from California.

Even when they are not accompanied by stiff spending limitations, state aid formulas can cause problems for school districts. Most aid formulas are based on the number of pupils in a district, which can mean sharp revenue drops in districts losing large numbers of students. States are beginning to modify their formulas to deal with declining enrollment, but 21 states do not address this problem in their aid formulas.

Other formulas do not compensate for special problems of large urban districts, such as a higher cost of living and a high incidence of disadvantaged and handicapped students who require expensive services. Some aid formulas have rewarded districts willing to levy high property taxes, but they penalize cities whose residents are unwilling to increase taxes for schools.

One result of school finance reforms in more than one-half of the states is state assumption of a larger share of the school finance burden. The Education Commission of the States (ECS) in Denver said in its report, *School Finance Reform in the States: 1978*, that the state finance role increased from 39 percent to 51 percent in 18 states that enacted new school aid laws prior to 1975. The success of tax initiatives may accelerate this trend by severely limiting the amount school districts can raise through the local property tax. Before the passage of California's Proposition 13, for example, the state paid 36 percent and local districts 64 percent of the cost of running schools. In the first year after passage, the state paid 71 percent of the total. Two years after passage, the state share was 80 percent.

Allan Odden, director of the ECS Finance Center, said past studies found no correlation between the degree of state funding and the degree of local control. He noted, however, that state and federal regulations are increasingly taking program decisions away from the local level. This is occurring in all states, he said, regardless of their finance formulas.

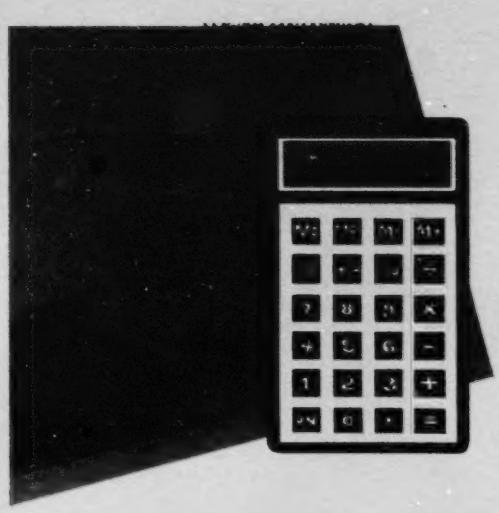
Added to this bleak picture is the fact that many finance formulas do little to counteract loss of local control. For example, although districts in some states can override a state-imposed spending limit with a local election, as a practical matter, voters are not approving those overrides.

Another problem: Citizen pressure for tax relief and efficiency in government makes less money available for finance reform efforts. In the past, legislatures tended to "level-up" low-spending districts with infusions of state money, instead of leveling down or imposing severe cuts in spending on wealthier districts. Odden predicted future reform will still "level up," but it will become increasingly difficult because of pressure to limit government expenditures.

Conclusion

School districts have had a hard time meeting budgets the last few years, and the prognosis for the immediate future is not bright. Some experts advised in interviews for this report that the only answers may be to save school dollars where possible and to set priorities when there is no more "fat" to cut.

Administrators responding to the survey for this report were asked what areas the report should address. Their responses generally matched their top budget concerns. They said they needed advice on how to cut costs in areas such as salaries, fringe benefits and energy; how to better manage their schools and set priorities; and to maintain quality and effectiveness. The balance of this report attempts to find answers to those areas of special concern.



Chapter II

Budget Policies and Practices

Many districts are faced with making severe budget cuts. When — and if — that becomes necessary, experts advise school districts to use a step-by-step approach to make the necessary cuts. That's easy to say, but how do you do it?

One method was proposed by Oliver Brown, assistant superintendent of the Cambridge (Mass.) Public Schools. Writing in the *American School Board Journal*, Brown described a seven-step budget cutting process:

1. Appoint a manager. Establish a budget cutting team.
2. Set a goal and pad it. Brown suggested the use of a dollar figure higher than necessary so that the board has the option of choosing not to cut a program and still meet its target.
3. Clarify educational priorities.
4. Identify alternatives. Brown recommended that districts analyze their budget in one or more of the following ways: by organizational unit (school, office); by program (physical education, math); by function (administration, instruction); by fund (general, Title I); by line item (textbooks, printing, custodial salaries). Since this approach could become interminable, Brown suggested concentrating only on those areas of the budget that have the most potential for cutting, i.e., the large-cost items. One caution about using multiple analyses: Care is required to assure that the same item is not cut twice.
5. Determine opportunities for cost reduction. This requires looking at new ways of accomplishing the same goals. When administrative positions are vacant, for example, districts should examine the responsibilities of the positions and determine what qualifications are required to fill them. A key question to ask: Is a certificated person required or could a noncertified person do the job as well?
6. Analyze suggestions; develop a brief report outlining recommendations and relating them to the priorities estabished by the board of education.
7. Allow opportunity for public comment, once the areas targeted for reduction have been selected.

Identifying Alternatives

As suggested in the budget cutting process outlined above, districts must be able to set priorities for cutting. Many different models have been proposed. Outlines for three models follow:

Model No. 1 proposes that programs be evaluated on the basis of:

1. Costs.
2. Staff, student and community attitudes.
3. Availability of financial and other resources.
4. Success of similar ventures.
5. Time needed for implementation.
6. Other negative and positive factors.

Model No. 2, developed by Prof. C. Cale Hudson of the University of Nebraska at Lincoln, suggests the following order of review in making cuts:

1. Cut budget "fat."
2. Review ways to operate programs more efficiently.
3. Consider a reduction of services that are not directly related to instruction.
4. Reduce the number of noncertified employees.
5. Review the effectiveness and efficiency of the instructional support program.
6. Review the efficiency of faculty management policies.

7. Reduce programs for students.

Model No. 3 proposes that expenditures be ranked by priority, as follows:

1. Expenditures for urgency items, e.g., those required by law.
2. Expenditures to secure pupil safety.
3. Expenditures to protect the district's capital investment.
4. Expenditures to accomplish district objectives and goals other than the preceding four.
5. Expenditures for optional or nonmandated programs, e.g., extended transportation.
6. Expenditures for community programs.

Important to note: One of the values of setting priorities is to provide a reference point for decision makers and the public. If the district decides to publish its list of priorities, a clear explanation of the reasons for the priorities should accompany the list.

Governance by Policy

A board commits its district to governance by policy by adopting clearly defined policy statements that can be used by district administrators to construct the annual budget.

A rule of thumb for boards to follow in developing policy: Policy statements "should be general enough to allow district administrators sufficient latitude to make sound budget decisions related to day-to-day operations, yet specific enough to be quantifiable in the annual construction of the budget."

Why are policies needed? One reason, experts say, is that they give school boards and administrators a rationale for reducing or expanding programs. Through policies, boards express the standards to be maintained in the district regarding items such as class size, maintenance and operation of buildings and student health services. Board policies also must take into account and ensure district compliance with state and federal law.

What elements need to be included in board policies on fiscal matters? The National School Boards Association recommended in its newsletter, *Updating School Board Policies*, that, at a minimum, fiscal policies should cover these basics:

- Pertinent state requirements.
- Who is responsible for preparing the budget and presenting it to the board.
- Who is responsible for administering the budget.
- The type of budget planning system or process preferred by the board.
- Who should be involved in the budget planning process.
- Guidelines on the board's priorities to be used in determining budget allocations.
- The procedure to be followed in adopting the budget.
- Deadlines for collecting and reviewing budget data.
- Deadlines for presenting the budget to any required review committee and for publicizing it.
- A deadline for presenting the final budget for the board's approval.
- Guidance on how and to whom the final budget is to be made known.

Standards: The Backbone of Policies

Boards of education need to keep in mind that a starting point for the allocation of resources is the development of standards for district programs. What's important to the board and the community it serves? What makes good educational sense? Where should attention be focused and dollars directed?

Policies based on standards give boards and administrators a rationale for the allocation of dollars and for reducing or expanding programs. Changes are far easier when there is a rational basis for them than if they are based on an arbitrary percentage or dollar figure.

In determining standards, boards may address subjects such as:

— Class size.
— Formulas for determining other staffing ratios, such as for librarians, nurses and custodians.
— Formulas for allocation of dollar amounts for instructional supplies.
— Standards for maintenance and custodial operations.
— General fund support for food services.
— Transportation standards, including the establishment of minimum walking distances for students and of maximum mileage allowances for the use of school buses for field trips and extracurricular activities.
— The amount of funds, if any, that may be carried over to the following year's budget.

How are standards set? Some standards are set by state legislatures or state agencies. In various states, for example, pupil-teacher ratios have been set by statute or regulation.

Some districts derive standards by determining the per-pupil cost of various budget areas, e.g., food services, instruction and school maintenance and operation. The cost for each area can be compared with similar costs in other districts to identify which ones are out of line.

Cost information may be available from several sources: the state department of education, nearby school districts or organizations such as Educational

Research Service, Inc. (1800 N. Kent St., Arlington, Va. 22209). ERS publishes numerous aids for educators including comparisons of salaries and fringe benefits for teachers and administrators.

Some cautions are in order regarding standards:

1. Districts should be careful to make comparisons only with school systems with similar financial resources, enrollment and other special conditions.
2. Comparisons should be made over several years.
3. Comparisons should include all items that make up a substantial part of the budget, such as employee salaries and fringe benefits.
4. Knowing what constitutes comparison figures is critical to avoid the phenomenon of trying to compare apples with oranges. To illustrate: Some districts may include principals in the cost of instruction, others in the cost of administration. Some experts also advise that the larger the comparison group, the greater the chance for deviation. One Ohio superintendent recommended that the way to get around such a dilemma is "to note trends, not specifics."

Budget Advisory Committees

School districts increasingly are being told to use advisory committees in the budget development process. The reasons for such committees are varied: By encouraging involvement, the board and the administration are indicating their willingness to consider all points of view before taking action. Another reason: use of an advisory committee results in more visibility for the budget and the budget-making process. Finally, this consideration: priorities may emerge as well as a more realistic attitude about what schools can and cannot do within the constraints of their budget.

Who should be involved? The committee may be comprised of school staff or citizens or a combination of both. A district may opt for starting an advisory committee solely with employees (administrators, teachers, department heads) and then expanding it to include community representatives and students. Size is an important consideration. Too small a group may limit representation and input; too large a group may be unwieldy.

Here are some other recommendations to consider in setting up an advisory committee:

— A clearly defined charter should be developed.
— The committee's responsibility should be explicit. It is vital to make clear from the start that final decisions on the budget are the responsibility of the board and the administraton.
— Opportunity should be provided for site and program managers to contribute information to the committee.
— Records of the committee's work should be maintained.

What does a committee do? This is up to the individual school district. Committees have been used to review the budget requests submitted by site and program managers and to determine if the requests conform to district policies and goals. In addition, they have been used to assist in recommending priorities for the allocation of resources.

Cautions: All persons who work on the budget should be mindful of the future effects of current decisions. A salary increase in the current year, for example, will result in a higher level of expenditure in future years. Another caution: The need for new programs or the expansion of existing programs may emerge. Either option could require the addition of instructional staff now and the continuation of their jobs in the future. The basic point to get across to the committee (and the board) is that *the district may never be able to meet all needs*.

Variation No. 1: Staff Study

One variation on the advisory theme is the staff study. Unlike committees, which accomplish much of their work through meetings, the staff study assigns a problem to one staff member. The superintendent or the board may delegate responsibility for investigating a particular problem or aspect of the budget. The staff study represents a formal process for dealing with a problem, but the process can be conducted informally as well. When done in an informal manner, much written detail can be omitted and a conclusion reached rather quickly.

A more formal study is required when the emerging recommendations could have a major effect on the budget. A written report is necessary.

How Chambersburg, Pa., used the staff study: A staff study initiated in the Chambersburg (Pa.) Area School District identified five procedures that could be used to reduce consumption in an electrically heated building. Other staff studies made the district aware that significant cost reductions could be made by rebuilding equipment rather than replacing it. An example: Supt. Robert W. Kochenour said the district saved $300 by repairing a washer and dryer. It also found that it could save one-third the price of tires for rear wheels of buses by buying recaps.

Variation No. 2: Cost Reduction Team

A variation on the staff study idea is that of a cost reduction team. The team may include permanent or rotating members, and it can be called into service only when needed. It may be assigned responsibility for research-

ing the cost-cutting ideas from school staff and advisory committee members. The team does not have to be tied into the budget process.

Variation No. 3: A Community Survey One way to get the opinion of a large group of citizens is the community survey. An explanation of how this technique works comes from the Salem (Ore.) Public Schools. District officials decided to conduct a mail-in poll on budget priorities after suffering three levy defeats in two years.

The poll, printed on newsprint and mailed to every household, sampled community opinion on programs that were not mandated by state or federal law or board policy. Each program was described along with the annual costs and the number of students enrolled. The programs ranged from bus transportation to a gifted program, from interscholastic athletics to career education.

The poll asked citizens to choose the three most important and three least important programs, to indicate whether each program should be continued and at what funding level.

The results were both helpful and disappointing, in the opinion of Skip Liebertz, the district's public information director. The disappointment stemmed from a low response rate (8 percent of all households) and lack of a clear mandate to cut anything. On the positive side, the poll indicated that some programs were clearly more popular than others.

The district used the results as a guide in cutting $2 million from a $50 million budget. The teen mother program, rated least important by respondents, was cut 25 percent. The second least important program, interscholastic athletics, was cut 20 percent.

Cost of survey: $10,000, which included printing, postage and the use of a professional polling firm to formulate the questions.

What lessons can other districts learn from Salem's experience? For one thing, the benefits may be more than meet the eye. As Liebertz pointed out,

Quick Tips on Budgeting

- **Introduction of new programs:** Districts must fully consider the ramifications of adding new programs. They create additional workloads on offices such as budgeting, accounting and personnel as well as requiring additional staffing. While the additional workloads may be absorbed by existing staff, the quality of work may decrease.
- **Monthly financial reports:** Adding a column for encumbrances to monthly financial reports will enable the board to determine the remainder in each discretionary account.
- **Better communication with schools:** School site managers (principals) will be able to function better if they receive financial information on discretionary expense items on a regularly scheduled basis.
- **Making budget adjustments:** The budget should reflect any changes in the basic conditions upon which it was predicated. If, for example, cuts in certain accounts are required, such information should be fed into the reporting system immediately.
- **Making long-range projections:** In developing a budget or long-range projections, it's a good idea to retain the original projections.
- **Board review of budget items:** The board should be encouraged to review individual budget items prior to budget adoption rather than when expenditures are made. That way, it won't have to spend time at board meetings throughout the year reexamining individual expenditures unless they deviate from the adopted budget.
- **The district office should not "play games" with the budget:** If, for example, some portion of the allocation for instructional supplies is to be expended on a districtwide basis, those funds should not be shown as available for budgeting by school principals.

school patrons like to be asked their opinions. In addition, he said, the survey "gave people a lot more information about programs" even if they didn't complete it. Another lesson: The district published the survey results in its newsletter along with information on how the results were used in making budgetary decisions. Upon seeing that the results were used, many citizens told Liebertz that they would return future surveys.

The Salem district plans to gather citizen opinion on other aspects of its program and to repeat the budget poll in about three years, using the 1978 results as baseline information.

Variation No. 4: Blank Sheet Approach Like the Salem schools, the Edmonds School District, Lynnwood, Wash., tried to gain citizen opinion through the use of a mail-back questionnaire. The return rate was only 10 percent, too low to be representative, district administrators decided.

A new approach was tried. Instead of issuing a predetermined list of programs, the district asked staff and citizens to list on blank sheets of paper the "most important" district programs.

Employee groups submitted their priorities at staff meetings, and citizen opinion was gathered at meetings of executive committees of parent groups. A master list, combining the suggestions of all groups, was compiled. At subsequent meetings, respondents were asked to rank order the programs on the list, and each group's priorities were reported to the school board. It, in turn, used the information to develop its priorities. The district newsletter provided information on the whole process to all citizens.

The results: Citizen and staff involvement were positive factors in turning a string of budget levy defeats into a victory for the district.

Lessons: Supt. R.H. Woodruff advocates the blank sheet approach. "If you start with a checklist, people think you've already made up your mind." He advised that the master list of programs be compiled with only minimal editing of suggestions. Similar concepts can be combined, he said, but a negative statement from a parent should not come out sounding positive on the master list. He also suggested that the responses of each group (e.g., elementary school parents, secondary school parents) be reported to the board separately. The "open-ended" concept, he suggested, can be tried for districts in the throes of making budget cuts or budget additions.

Another use for the blank sheet approach: The Edmonds School District surveyed all employee groups on their priorities, exclusive of monetary concerns. One surprising result: Discipline was the No. 1 concern of food service personnel and bus drivers, but it was not reported as a problem by classroom teachers. The lesson here is that the problem would not have surfaced if all results had been combined.

Budgeting Basics

The budgeting process, never easy, can be a much more manageable beast if certain ground rules are observed. They apply in both large and small school districts. The end result for either type of district should be a smoother budgeting process.

Ground Rule No. 1: Start the budgeting process early. How early? That depends on a number of factors, including the size of the district; the complexity of the budgeting process, e.g., how many prescribed steps must be followed, how many people have to be involved; the amount of anticipated changes in the budget; and the amount of anticipated conflict.

The California School District Management Assistance Team, an arm of the California State Department of Education, advises school districts to begin the budgeting process about 10 months before the budget will be implemented.

Ground Rule No. 2: Follow a budget calendar. A budget calendar is a list of the important events and activities in a school district's budget cycle. The format and depth of the calendar may vary, but generally the budget calendar should include important budget dates as mandated by legislative process and by regulations. Other important dates or checkpoints in the budgeting process should be listed, as well as who will be responsible for completion of each step included in the calendar. Among the dates listed could be: the date for completion of a pre-preliminary budget, preliminary budget, tentative budget, publication budget, public hearing and budget adoption. Checkpoint dates could include the date for adjusting enrollment statistics, following the report of fall enrollment.

Why draw up and follow a budget calendar? The main reasons are visibility and involvement. The budget calendar makes people aware of the steps involved in budgeting and the time and effort involved. More importantly, the calendar recognizes budget development as an ongoing process which is affected by many events during the school year. Even in small districts, all personnel should be aware of the due dates of various phases of budget development.

Ground Rule No. 3: Make the budget understandable. The appearance and arrangement of a district budget can stymie both citizen participation and meaningful analysis. Many states require that districts

submit a line item budget containing hundreds of figures grouped under major categories. Often, the numbers are so large as to be meaningless, and the categories are incomprehensible. Many districts are changing from the line item budget to a program-oriented budget. If the line item budget is required, a district can send that version to the proper state agency and use the program approach to communicate with the school board and the public.

The program budget assigns all school costs to various programs. Reading program costs, for example, would reflect portions of teacher salaries commensurate with the proportion of time spent teaching reading. One administrator suggested that proportions be figured strictly on teaching time. If preparation time is included, the proportions are likely to vary too widely.

Once program costs are compiled, they should be arranged in a sequence that reflects the priorities of the district. Reading and math programs, for example, probably would be listed ahead of transportation and administration.

Why make the budget understandable? That question may occur to some superintendents who prefer to keep information regarding their budgets in their vest pockets in order to avoid conflict. Vest pocket budgets appear to be doomed, however, because of factors such as current trends toward community involvement in schools.

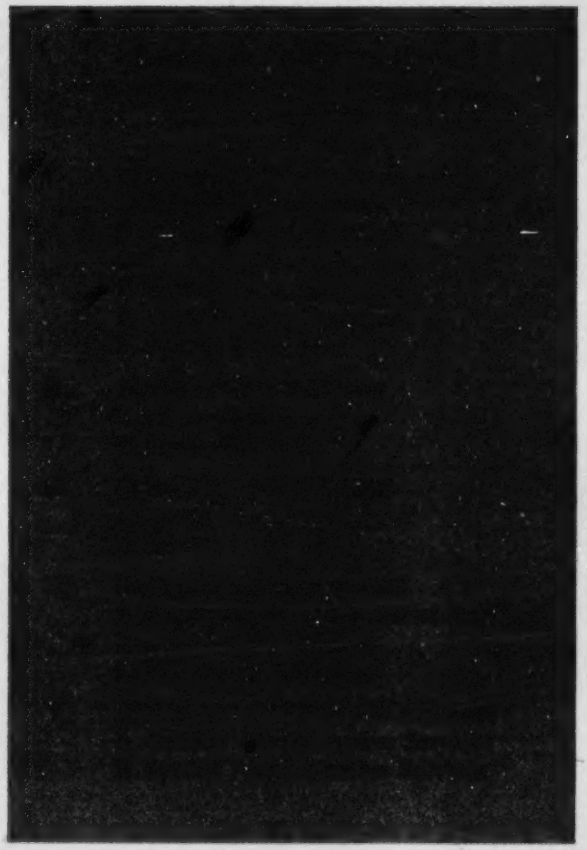
One New York superintendent who simplified his district's budget, Clayton Akin of the 1,600-student Rye Neck Union Free School District, said in an interview for this report: "At first we feared such a system would show people where to cut the budget. But just the opposite occurred. Instead, our way of presenting the budget reveals what has been left out and reminds citizens what they might like to see added. Citizens exposed to this format tend to ask questions that are philosophical and educational in nature and not just questions of cost."

As shown in the outline of Rye Neck's budget, the first item is learning programs. The rational for leading off with that category is simple, Akin said. "That is the key function of the schools." Administration, on the other hand, is listed last, he said, where it can be defined as support for the learning programs.

The Rye Neck budget lists all costs three ways: by purpose, by building and by level. In this way, Akin said, citizens can determine the budgetary effects of eliminating a program.

Akin offers this advice to other superintendents regarding the budget-building process:

- Make the budget as simple as possible.
- Make sure the budget reflects the district's values. "Your budget needs to be your own. When it says something completely meaningful to you, it will be convincing to others."
- Be willing to meet with members of the public to explain your budget. "In these times of money crunch, the public wants to know they are important enough to deal directly with the one who symbolizes top management."



Ground Rule No. 4: Develop a long-range plan. Long-range planning is the best way for a district to avoid financial crisis. Experts advise districts to develop "financial forecasts" for three to five years so that large losses in income don't come as a surprise. Long-range planning also offers another potential plus for school districts, i.e., if citizens are involved in the process, they become aware of the district's impending financial problems and can become valuable allies.

Financial forecasting can be done in several ways. One method, for example, advocates the use of per-pupil costs as a basis for projecting revenue and expenditures. One rate of inflation is applied to the total budget. A more complex method forecasts expenses by detailed line items, such as secondary principals

salaries and elementary textbooks. Different rates of inflation are assumed for different budget categories.

How far in the future should a district forecast? In an interview for this **Critical Issues Report,** Dan Loritz, an education planner for the Minnesota Department of Education, recommended that districts prepare forecasts for five years. He said "fairly precise predictions" for two years are necessary, as well as "rougher estimates" for an additional three years. His rationale: It is hard to predict what state aid will look like more than two years in the future. That uncertainty is compounded by changes in property valuation, tax rates and the rate of inflation.

Loritz also recommended that districts correct their projections at the end of each year by replacing them with actual figures. In addition, the projections for an additional year should be made at that time. By adding and updating each year, Loritz explained, districts are able to spot trends and to make comparisons of costs with similar districts.

What's in a financial forecast? Generally, it includes enrollment projections for five or more years; revenue projections, including state aid, local taxes, income from investments and fees; expenses projections, which take inflation into consideration; projections of any deficits or surpluses.

How Yorkville, Ill., uses a financial forecast: Financial forecasts usually assume there will be no changes in program. When the forecast reveals that a deficit looms, the information compiled for the forecast can be used in deciding where cuts are possible.

Such was the case in the 2,000-student Yorkville School District. A financial forecast revealed a $1.5

Three-Year Financial Plan
Yorkville Community Unit District
Yorkville, Ill.

Projected Revenue, Expenditures and Fund Balances

	1979-80	1980-81	1981-82
Projected Beginning Fund Balance, July 1	(209,394.)	(423,659.)	(834,854.)
REVENUE:			
General State Aid	901,630.	789,816.	597,198.
Taxes	1,338,600.	1,416,200.	1,493,800.
Other Revenue	365,960.	372,470.	377,980.
	2,606,190.	2,578,486.	2,468,978.
EXPENDITURES:			
Salaries	2,179,643.	2,310,421.	2,449,046.
Tuition	211,428.	224,114.	237,561.
Insurance	83,666.	88,686.	94,007.
Textbooks	43,248.	45,843.	48,593.
Foods & Related Supplies	107,092.	113,517.	120,328.
Capital Outlay	24,380.	25,843.	27,394.
Contractual Services	22,675.	24,035.	25,477.
Supplies	119,873.	127,065.	134,689.
Other	28,450.	30,157.	31,966.
Total:	2,820,455.	2,989,681.	3,169,061.
Projected Ending Fund Balance, June 30	(423,659.)	(834,854.)	(1,534,937.)

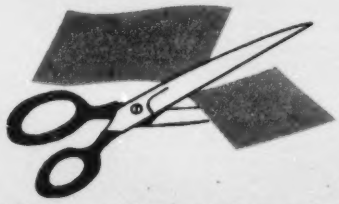
Note: The increase in revenues is expected to be slight in the three year projections. Although real estate taxes are expected to continue to increase substantially, the present state aid formula will result in substantial decreases in state aid. Increases in other revenue are expected to be slight and more than offset by increases in expenditures. The net effect is a gradual increase in the district deficit unless revenues are increased or expenditures reduced.

million deficit by 1982 if no changes were made in programming. Declining enrollment at the high school level was pinpointed as the cause of the anticipated deficit.

The district decided to deal with the deficit by reducing teaching staff, mainly at the high school level, and by making other economies. To deal with the remaining deficit, the district planned an election to raise the local tax rate. Revenue from a tax increase cannot be collected until the year after the election. Because the district anticipated the deficit, however, the tax increase, if approved by voters, would be available in time to forestall problems.

The district plans to use the information collected for the financial forecast to substantiate the revenue decrease. It also can show that it planned for cutbacks before asking for additional dollars.

Cost-Cutting Techniques



An idea that results in a reduction of costs in one district may be totally inappropriate in another. Some districts can save money, for example, by contracting for pupil transportation with a local bus company. In another district, the cost of such an agreement may far exceed the cost of handling transportation in-house. An investment idea that saves money in one state may be illegal in another. Both of these examples illustrate an important point: Districts should look at cost-cutting tips in terms of general concepts rather than specific application.

Concept No. 1: Share and Cooperate One useful concept for districts of all sizes is the sharing of resources and cooperation, whenever feasible, with other tax-supported agencies in the community.

A prime user of the "share and cooperate" concept is Supt. David Williams of the Flagstaff (Ariz.) Unified School District. To illustrate: The school district provides facilities and transportation, and the city recreation department provides the staff to run basketball, flag football, volleyball and track programs in Flagstaff's elementary schools. In the summer, the city recreation program makes use of the district's swimming pools, gyms, tennis courts and playing fields.

Flagstaff's use of a variety of cooperative arrangements results in savings ranging from the small to the significant, said Williams in an interview for this report. The district saved the cost of buying large, heavy equipment for snow removal because city snowplows clear designated areas around schools at no cost. When the district launched a $10 million program to remodel and construct new facilities, the city contributed nearly $400,000 to remodel a swimming pool. The district saves the cost of land purchase by leasing city property for some school sites at $100 per year for 50 years.

Worth considering: Some districts apply the "share and cooperate" concept by banding together to obtain needed services such as data processing that a single district could not afford.

Concept No. 2: Swap Goods/Services A swap of more than $1 million in property resulted in Flagstaff after the city council and school board members reviewed their needs. No money changed hands. Another swap resulted because both the district and the city government consider elementary playgrounds as neighborhood parks. When improvement in the playgrounds/parks was sought, this agreement was made: several government agencies would plan, design and engineer the improvements; the school district would arrange for the assistance of parent crews and provide materials; the city would contribute its equipment.

Another sharing arrangement is in effect between the Flagstaff district and Northern Arizona University. The district leases the university's domed stadium for athletic events and graduation ceremonies. The university gains income; the school district gains the use of a high quality facility for special events.

The county government in which the district is located provides service and maintenance for school vehicles. In return, the county government may use the vehicles when they are not needed by the school district.

Concept No. 3: Look to Private Sector A concept used by Supt. Williams is to look to the private sector for any services that could save money for the district. One example: The Flagstaff district found it could contract for bus service more cheaply than it could maintain a fleet of 60 buses, pay liability insurance, hire drivers and provide facilities for storage and maintenance. Other districts interested in using that idea should note that the Flagstaff district maintains complete control over bus routes, stops and schedules.

Another application of this concept: Flagstaff found it could purchase electrical work more economically using cost-plus contracts than it could maintain a staff electrician.

Concept No. 4: Analyze Costs Supt. Williams analyzes the cost of various services to determine if the current district practice is the most economical. By determining the amount the district was paying in service contracts to maintain typewriters, for example, Williams concluded that the district could save money by hiring its own maintenance person. An analysis of repair and maintenance costs for heating and ventilating systems revealed that the district should do its own maintenance but contract for repairs on a cost-plus basis.

Concept No. 5: Contract with an Expert The Flagstaff district discovered it could save money by using insurance consultants to write bid specifications, to analyze costs and to supervise the service provided by insurance companies. Flagstaff uses two consultants, one for health, life and disability insurance and one for liability insurance.

Williams noted: "Unless you're an extremely large school district, seldom can you afford to have someone on your staff who is an insurance expert." The Arizona superintendent suggested that districts invite several consultants to submit proposals describing what they could do for the district and at what cost. He advised further that the consultants should not be affiliated with a company that sells insurance but should specialize in advising on insurance needs.

One illustration of the use of this concept: Flagstaff received a $50,000 rebate over three years because of the restrictions placed on bids by the district's health insurance consultant.

Concept No. 6: Share Staff Members Supt. Williams tries to analyze each function of the Flagstaff district to determine how to reduce people cost. Through agency cooperation, for example, the district saves the cost of hiring elementary physical education teachers by using city recreation staff. An arrangement with the country eliminates the need for vehicle maintenance personnel. Contracting the bus services saves the cost of hiring drivers and related personnel.

Concept No. 7: Shift to Part-Time Employees People costs can sometimes be reduced by shifting from full-time to part-time positions for certain jobs. The Flagstaff district, for example, maintains a minimal custodial crew during the day. It hires part-time college students to clean schools at night. The district benefits because it pays the students a lower hourly wage and does not have to pay fringe benefits. The students work under the supervision of a lead custodian.

Concept No. 8: Reduce Hours The Flagstaff district discovered it could save money by reducing the work day of most of its clerical and secretarial staff. In many schools, secretaries work a 35-hour week. They receive full fringe benefits but are paid for five fewer hours each week. The only clerical staff still on a full 40-hour week are secretaries to principals and attendance officers in junior and senior high schools, secretaries in the administration building and some secretaries in the business office. Some staff members have had their contracts reduced from 12 months to 10 or 11 months.

Concept No. 9: Be Stingy with Titles Supt. Williams cautioned that job titles can cost money. "School districts are notorious for granting titles in lieu of compensation," he explained. This practice could get a district into trouble when the employee starts comparing the salary paid by other districts for the same job title.

Williams suggested that districts establish at the time of a job appointment a specific salary schedule for each title so the employee knows the starting salary and range. When a vacancy occurs, the job description should be reviewed to determine its accuracy. One result could be a shift of tasks performed by a certificated person to a lower-salaried classified employee.

Concept No. 10: Try Flat Sum Increases Application of this concept could affect the biggest cost item for any district: people costs. Williams advised districts to try to move from percentage increases to flat dollar figures for raises based on steps on the salary schedule. In his district, he explained, a 5 percent increase for each step would have meant that persons at the top of the salary schedule could receive double the base salary. Several years ago, however, the Flagstaff board adopted a salary schedule with flat dollar increments for between-step raises.

Caution: Flagstaff teachers never officially accepted the idea of flat sum increases, Williams said. The district could use the flat sum approach because the state did not have mandatory negotiations. Districts with strong unions may not be able to follow this concept.

Concept No. 11: Reward Merit

Another idea used in Flagstaff is to base movement on the salary schedule on job performance (merit) as well as education and experience.

The three components of a workable merit program, according to the Flagstaff superintendent, are a good evaluation system, strong administrators who are able to do the evaluation and due process procedures. Flagstaff's evaluation system was set up over an 18-month period with the help of the district's teachers.

Concept No. 12: Hire Generalists

As school districts grow, administrative jobs as well as those of teachers tend to become more specialized. When enrollment declines and the number of administrators must be reduced, a return to generalists can help districts cope with reduction. Even in a time of plenty, however, a large number of specialists may be wasteful. Dividing tasks among too many people can result in duplication.

To apply this concept, district officials should ask these questions: "Are we using a specialist where a generalist would do? Is there a better way to perform this job? Can it be performed by a lower paid person?"

In California, the State Department of Education's School District Management Team discovered a proliferation of specialists in some districts in the area of personnel administration. It found in some districts, for example, that personnel functions were organized on the basis of tasks: payroll documentation, benefits and appointments.

The California team usually recommends reorganization to districts that are maintaining duplicative personnel administration. Such reorganization, the team believes, should be evolutionary with the final outcome being a system of generalists. Under such a system, one or more employees would be responsible for

What To Do When Enrollment Decline Looms

What can a district do if a financial forecast reveals impending enrollment decline?

First, it should determine how and when the decline will affect the district. Five-year projections by grade and by school are recommended. Another must is an analysis of the district's staff, including its size, the distribution of teachers on the salary schedule, anticipated attrition, teacher mobility and staff/student ratios.

Information on enrollment decline should be shared as early as possible through all available media to everybody concerned — teachers, administrators, parents, other community members, union representatives. A single press release is inadequate; information must be provided on a continuing basis.

In addition to providing information, the district must be open to suggestions for alternative solutions. Suggestions should be fully aired through the media. The school administration should develop its recommendations for balancing income and expenditures and make the information available to interested parties.

Allowing enough time is a critical factor. Experts on enrollment decline suggest that districts should start planning for decline at least two to three years before it actually starts.

Having a united, strong board can make the difference between chaos and calm in handling decline. To avoid splits, boards should consider separately each element of a long-range plan for handling decline. That way, said AASA demographics consultant Katherine Eisenberger, the pros and the cons of each element can be aired and areas of common agreement can be ascertained. This "narrowing down" process, she said, can pinpoint areas of disagreement so they can be resolved, one by one. Eisenberger cautioned that the whole plan will be for naught if the board fails to follow through with its intentions because of community pressure.

The transition time between surfacing of the problem of decline and implementation of a plan can be most difficult for the school faculty. Eisenberger recommended that boards ease the transition by providing training and release time to faculty for planning and coordination; by maintaining a humane attitude toward staff members affected by reductions in force; and by being alert to any opportunities to turn decline into opportunity — through an expansion of services for adults, for example.

all personnel transactions, payroll and records for a given segment of the district's staff. (Job responsibilities could be made by alphabetical division or by job function or work site.)

Under the generalist concept, work is organized into a variety of interrelated sequential tasks. This assures better understanding of each work step and its objective. Because job responsibilities are enlarged, the result is often a more interesting job for the responsible party. The district benefits, advocates say, because it gains a more efficient and less costly system of personnel administration.

Concept No. 13: Divestment

The concept of divestment comes from industry, where it is used in the process of changing product lines. Put simply, it means "You can't have everything."

Proponents of divestment say its application to education could force school districts and their communities to realize that schools cannot do everything. For example, before a district could initiate a new, high-cost program, it would have to eliminate one or more low-cost programs.

Concept No. 14: Zero-Based Budgeting

School districts as well as other tax-supported institutions are frequently advised to consider the concept of Zero-Based Budgeting. ZBB has certain elements in common with program based budgeting and management by objectives. Basically, it requires that each program in the school or on a districtwide basis be examined and evaluated by using information in the form of "decision packages." The objective is to determine if the program should be continued and, if so, at what level: a reduced level, as-is or at an increased level.

ZBB is not for everybody. It is a new concept for school districts, and few are using it. Full-blown ZBB is probably inappropriate for districts with fewer than 5,000 students, said Sam Bliss in an interview for this **Critical Issues Report.** Bliss, a ZBB consultant located at Northern Arizona University, said small school districts may be more interested in implementing the broad concept of ZBB than in launching the actual procedure. For one thing, computer packages for ZBB cost between $6,000 and $8,000 (1979 estimates). And, although manual compilation of data is possible, Bliss noted: "I question whether the benefits would be worth the investment." He added: "If a district has fewer than 5,000 students, it ought to know what's going on anyway."

Advantages of ZBB cited: Its proponents claim it gives various levels of staff an opportunity to affect the budget. When the decision (information) packages are organized by individual schools, the principal can involve teachers and a school advisory committee in the ranking of programs. At the district level, community members can be involved in ranking districtwide programs.

Other advantages of ZBB, as cited by proponents:

- ZBB forces districts to ask the "zero" question: What would happen if this program were no longer offered?
- ZBB focuses on programs, rather than on line items in the budget. It forces districts to abandon the "across-the-board" method of trimming budgets.
- ZBB provides a method of cost analysis through which districts can relate expenditures to goals and objectives.
- ZBB encourages schools to look at different ways of accomplishing the same objectives.

The disadvantages of ZBB can include:

- ZBB is time-consuming and can create considerable paperwork.
- ZBB requires extensive staff training.
- Trying to eliminate some programs (e.g., those mandated by state and federal law) is unrealistic.
- ZBB jargon can alienate and mystify rather than involve the community.

A **counterclaim:** Bliss said careful planning can reduce the paperwork burden of ZBB and that staff training need not be excessive. He also noted that ZBB can be implemented more quickly than some other management systems. Specifically, he estimated that a ZBB system could be in place in one year to 18 months, compared to three to five years for some other systems.

Modification or partial implementation of ZBB is possible, Bliss said. Districts can do extensive analysis of large parts of the budget on an annual basis and ask the "zero" question every three years, he advised.

Concept No. 15: School-Based Management

The concept of school-based management is best described as "a comer." Whether it's called school based management, decentralization, responsible autonomy, school site management or another similar term, it seems to be gaining considerable attention.

Basically, school-based management moves some portion of decision-making and governance from the central office to the local school. The extent of decision-making allowed the local district varies; so

does the make-up of the decision-making unit. Some school-based management proposals place decision-making in the hands of the principal who works with staff and community. Others promote the idea that staff and community should have partial or full say in major decisions, such as the choice of a school principal.

Decision-making power at the local level may start with a voice in budgetary decisions. Then, it may be extended to cover other aspects of school governance such as discipline or school structure. For the purposes of this report, only the budgetary aspects of school-based management will be considered. Proponents of the concept say it could result in more responsive and responsible governance at the school level and in budgetary savings at the school and district level.

Basically, school-based management works like this: The school district establishes the overall budget, but it allots a lump sum or formula amount to each school to be spent at its discretion. A school may choose, for example, to spend more on teachers, less on materials or to convert some dollars to teacher aides.

The savings aspect of school based management comes into play when incentives are built into the process. An example of such an approach comes from the Dade County School District, Miami, Fla., where it is called school site management. Each local school is given a dollar amount which represents a specified number of personnel. The school then determines how it will use the money. A school can convert two custodial salaries, for example, into a pool of money to trade for additional teacher aides.

In 1977-78, the Dade County district built cost savings into its funding formula for school site management. Each school was told it would receive a certain percentage of any savings in two areas: substitutes and energy consumption. Each school was allotted enough money to cover 10 substitute days per classroom teacher. Calculations of energy consumption, on the other hand, were based on each school's consumption in 1976. Following the plan, the district saved $1 million on energy consumption and $140,000 on substitutes. Schools using more than their allocation for substitutes or energy consumption were docked by losing money from their discretionary funds.

Another idea used by the district is to rebate to student councils any money saved through a reduction of vandalism at local school sites, according to Gerald Dreyfuss, the executive director of the budget division.

School-based budgeting is applicable to school districts of any size, said Dreyfuss in an interview for this report. But, he noted, very large districts should phase in the process over several years. He advised that principals, assistant principals and other school staff all require training in the technical aspects of budgeting and in working with community groups in setting priorities. (In Dade County, each school principal consults with a faculty advisory committee and a community advisory committee before determining the school's final budget.)

To avoid costly mistakes, Dreyfuss suggested that central office staff consult other districts already involved in school-based budgeting.

For more information, contact Gerald Dreyfuss, Dade County Public Schools, 1410 Northeast Second Ave., Miami, Fla. 33132.

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Chapter III

Staffing Practices

Any serious attempt to minimize school costs must consider staff utilization, since employee salaries comprise such a large portion of the school budget.

Declining enrollment in many areas of the country has resulted in low staff turnover and an increasing percentage of staff members who are more experienced and better paid.

Increases in staff salaries was the No. 1 budget problem mentioned by school districts responding to the **Critical Issues Survey** for this report. Also frequently mentioned was this response: "Most of our teachers are high on the salary schedule."

School districts are attempting to open opportunities to new, recently trained teachers and to reduce staffing costs through a number of options, including early retirement incentive programs, cutting teacher absenteeism, initiating job sharing and volunteer programs, hiring teachers on a part-time basis and, in some instances, requiring schools to share principals.

Early Retirement Incentive Programs

Perhaps the most popular method of coping with surplus staff is to develop an early retirement incentive program.

Inducing older employees to retire has several obvious advantages:

- It removes those at the top of the salary schedule, allowing the district to save money by hiring replacements at the bottom of the salary schedule.
- It can reduce or eliminate the number of staff to be laid off. This can save money because seniority-based systems will lay off the youngest and least expensive staff members.
- It provides an attractive alternative for those who are tired of teaching but fear they cannot live on their pensions. Retirement plans usually include a sizable bonus upon retirement or an option to work for the school district part-time for supplemental income.
- It helps morale because the district is doing something *for* teachers rather than *to* teachers. Teachers and administrators generally oppose school closings because they represent a loss of jobs. Closings can be less threatening, however, if the district has an early retirement plan.

Types of Plans

Early retirement plans vary enormously in their scope and features. A 1977 survey for *Staff Dismissal: Problems and Solutions*, an **AASA Critical Issues Report**, found a distinct regional variation in plans. Districts in the East favored giving early retirees a bonus and ending the relationship. Those in the West tied bonuses to consulting work. A 1979 survey for this report found fewer districts using the consultant option. Only 4 out of 32 plans submitted mentioned using retirees as consultants.

Lee Demeter, personnel director for the Great Neck (N.Y.) Public Schools, reviewed 50 early retirement plans from around the country when his district became interested in developing a plan. He noted that the plans varied in the following ways:

- **Origin.** Some are negotiated. Some are discussed informally away from the bargaining table. Some are adopted unilaterally by the board of education.
- **Coverage.** Plans may include teachers and/or administrators and/or classified personnel.
- **Life span.** Some plans are for one year or some other definite time. Others last indefinitely or exist at the discretion of the board or staff.
- **Complexity.** Some plans are simple. Others are highly complex and reflect sophisticated social engineering.

- **Options.** One or several alternatives may be included.
- **Implementation.** Some plans are binding on the school board. Others give the board considerable discretion regarding implementation.
- **Age limits.** A plan may go into effect before age 55 or at age 55, 60 or 62.
- **Spread of benefits.** Some are lump sum. Others extend for two or more years.
- **Payment schedule.** Payments may be made monthly or in a single or yearly amount.
- **Availability.** The plan may be available prior to retirement, upon retirement or for a period of years following retirement.
- **Opportunity for employment.** Plans differ in the number and type of activities available, e.g., consultants, substitutes or part-time employment. Other differences can be found in who decides employment opportunities: principal, personnel director, board of education, retiree or a combination.
- **Fringe benefits.** Some plans allow employees to pay their own premiums up to a specified age. Others pay the fringe benefit costs for retirees. Finally, some plans do not allow fringe benefits for early retirees.

Why the variations? To fit the needs of the individual district. A district that needs to lay off many teachers in one year may offer a large bonus as a one-time opportunity. Conversely, a district in which employees will reach the top of the salary schedule over many years may opt for a more modest plan that is available annually.

Important to note: A district initiating an early retirement program must pay utmost attention to the requirements of the state teacher retirement system. In various states, the systems are based on a retirement age, number of years of teaching service in the state or a combination of the two. Those who retire with less service or at a younger age will be assessed a penalty. Massachusetts early retirees, for example, may be assessed a penalty of four percentage points a year for each year they retire before age 62. In Maryland, however, any teacher with 30 years of service can retire without penalty, regardless of age.

Is Early Retirement Past Its Prime?

Early retirement incentive programs may be an idea whose time has passed. Many of those interviewed for this report raised the nagging question: "How can you be sure the people who retired (with a bonus) would not have retired anyway?" If they would have, the additional money spent to "induce" their retirement was unnecessary.

The other side of the coin is that many people cannot afford to retire, even with a bonus or consulting option because of the current high level of inflation.

What's the outlook? In at least one state — Colorado — early retirements are down, said Joseph Natale, executive secretary of the Colorado Public Employee Retirement Association (PERA) in an interview for this report. More and more employees are staying on until age 70 because PERA pensions can increase only three percent a year. "Those who retire early take another job. They are not leaving the market," Natale said.

Idea: Natale suggested that a cost effective use of funds earmarked for early retirement could be to improve the general pension fund. This would require a change in state law to increase the employers' contribution to the fund. If pension contributions were increased from 3 percent to 6 or 7 percent a year, people would be encouraged to retire, he explained. Such an idea would be hard to sell to districts already having budget problems, but Natale thinks it could be done if school boards and administrators could be convinced of the long-term advantage to their districts.

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Approximately 12 states have no state teacher retirement system, according to John Posner of the Public Pension Project, National Conference of State Legislatures. In those states, requirements would differ within each district.

Model Plans

The following retirement plans were designed by local districts to complement the requirements of the state teacher retirement program. These models illustrate the variety of options open to a district considering an early retirement incentive plan.

Model No. 1: Rockford, Iowa The Rudd, Rockford, Marble Rock (RRMR) Community School in Rockford, Iowa, developed a straightforward early retirement bonus based on age and salary. A teacher retiring in June 1979, for example, could receive benefits on any payroll date between mid-July 1979 and mid-January 1980. The usual deductions for Social Security would be withheld.

The bonus schedule rewards younger teachers proportionately more according to the following schedule:

- Those aged 55 to 62 receive 100 percent of the difference between $10,000 and their position on the 1979-80 salary schedule, with a minimum of $2,000.
- Those aged 63 receive 80 percent of the difference between $10,000 and their 1979-80 salary.
- Those aged 64 receive 60 percent of the difference between $10,000 and their 1979-80 salary.

The 800-pupil district eliminated 10 teachers, one bus driver and two principals since 1971, explained Supt. Robert Sinclair in response to the survey for this report.

The early retirement plan was developed to soften the effects of declining enrollment, to generate money for the school district and to prevent teacher layoffs in future years. The plan is contained in a board policy, and it is reviewed annually. It requires teachers to apply for the plan by March 6. "Acceptance of the application by the Board of Education will be considered voluntary resignation and termination of the teacher's continuing contract," the policy says.

For more information, contact Robert L. Sinclair, Superintendent, Rudd, Rockford, Marble Rock Community School, Rockford, Iowa 50468.

Model No. 2: Madison, Wis. The Madison Metropolitan School District has similar early retirement plans for teachers and administrators. The retirees agree to provide a minimum of 20 days' work annually in each of three years to the district in exchange for 20 percent of their final salary. Retirees can work up to 60 days in a single year to satisfy the three-year obligation, but they can receive only one-third of the total payment in a single year.

Participants must be at least 55, and their age and years of service must total at least 80 years.

The retirement payment can include $400 in severance pay and payment for one-fourth of accumulated sick leave, for a maximum 45 days, at the retiree's annual daily rate. The retirement pay may be distributed among any of the following: health insurance, life insurance, Wisconsin Teacher Retirement System, an approved annuity program and direct payment.

The retirees can be used for practically any short-term job, Assistant Supt. Don Hafeman said in an interview for this **Critical Issues Report**. Examples include: running the United Way campaign, preparing a report for the Board of Education or interviewing prospective teachers. The only limitation is that a teacher cannot act as a substitute more than 10 days per year or during a work stoppage, Hafeman said. The 10-day limit is a concession to the substitute union. It doesn't want retirees encroaching on its turf.

The teacher retirement plan is negotiated annually as a "memorandum of understanding." It is separate from the collective bargaining agreement, Hafeman said, so that changes in the early retirement program are not made at the expense of contract terms. The memorandum is effective for one year at a time to allow the district to make adjustments, if necessary.

The district is gathering information to evaluate the plans' long-term costs and the results of the consulting obligation.

Madison's retirement plans were begun to reduce staff during an enrollment decline of 8,000 students (from 34,000 to 26,000) in seven years. The other purposes of the plans are: to provide "reasonable financial assistance to teachers and administrators who desire to retire early with dignity," to provide financial assistance to those who wish to change careers and to provide retirement assistance and related services.

About 30 teachers and 10 administrators have retired early under the plans. Hafeman expects more participation as more staff members become aware of the plans. One factor contributing to low participation has been delayed signing — until May, for example — of the memorandum of understanding. That has caused employees to decide to work another year, rather than make a hurried decision.

For more information, contact Don Hafeman, Assistant Superintendent, Madison Metropolitan School District, 545 W. Dayton, Madison, Wis. 53703.

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Tips and Cautions on Early Retirement

Be certain of the objectives before launching an early retirement program. Gear the program to meet those objectives. For example, districts that plan to use consultants should spend some time considering how to use them. Don Hafeman of the Madison (Wis.) Metropolitan School District cautions that districts should not become so caught up in money-saving considerations that they overlook the opportunities to use a "positive, well trained resource."

Keep the program entirely at the district's option. Do not make it part of the negotiated contract with the teachers union, advises Ramon Cortines of the Pasadena (Calif.) Unified School District. Be careful that such a program does not become a teacher's right. It is a managerial process.

Begin the program on a year-to-year basis. In this way, adjustments can be made without raising expectations. Also, the program can be discontinued easily if circumstances change. A program begun because of declining enrollment may be an anachronism if the decline ceases.

Consider other methods to solve declining enrollment problems. Examples: leaves, sabbaticals and employment of part-timers.

Check with an attorney before using consultants. Questions may arise about what tasks can be performed by an independent contractor. An advantage to the district of having retirees considered as independent contractors is that it is not liable for workers compensation, unemployment compensation, transportation or clerical requirements.

Advise employees to check with their tax consultants to determine if income tax should be withheld from their early retirement payments.

Research the requirements and limitations imposed by the state retirement system. In one state, for example, retiring teachers and administrators can earn no more than $5,000 as consultants.

In publicizing an early retirement program, make clear that it is voluntary. Otherwise, employees may feel they are being forced out.

Consideration: Whether or not districts choose to institute an early retirement program, they should check to be sure the present system does not reward teachers for staying on, some experts advise. One alternative suggested by John Posner of the National Conference of State Legislatures is to eliminate any advantages of staying with the district past the age when a teacher could retire early.

Model No. 3: Downey, Calif. The 13,000-pupil Downey Unified School District in Los Angeles County offers three retirement plans. Employees can receive full health benefits for up to 10 years, serve as a consultant for five years or work part time for up to five years.

Employees must have worked in the district 10 years and be at least age 55 to qualify for any of the plans. In 1979, there were four part-time retirees, 26 consultants and 24 receiving benefits.

Here is how each plan works:

- **Benefits Only** — The district pays health benefit premiums for both employee and spouse for 10 years or to age 65, whichever comes first.
- **Consulting** — The employee is paid $3,000 per year for 20 days' work. The employee may consult for up to five years or to age 65. The employee serves the 20 days during a given quarter, but the 20 days may extend beyond the quarter if the district agrees. The district pays the single-party rate for health and accident insurance, up to a maximum of $1,000. The consultant is responsible for workers compensation. Also, transportation, clerical and other expenses incurred outside the district are the consultant's obligation.
- **Part-Time** — Employees work half time by teaching the first semester full time and taking the second semester off. The employee and the school district

pay their respective shares to the state teacher retirement system for the full year, so the employee is credited with a full year's service for retirement purposes. The district provides full fringe benefits and one-half salary based on the employee's position on the salary schedule.

All three plans save the district money, but the part-time plan has some educational disadvantages, Helen Thompson, director of certificated personnel, said in an interview for this report. The district plans to phase out the part-time plan for elementary teachers, because it means children have to change teachers at mid-term. The district then hires a temporary employee for the second semester, and the regular teacher returns the following fall. The plan works better at the high school level because enrollment declines at mid-year when some students graduate early.

Money Considerations

A study completed by Thompson showed all three plans saved money. But, she noted, the study should be repeated periodically as salaries change. Eventually, she commented, beginning salaries paid to replacement teachers will be high enough that the savings will not warrant continuation of the plans.

Thompson computes the savings achieved through the plan by totaling the salary and fringe benefits for the retiring employee and subtracting from that total the salary and fringe benefits for the replacement. She then projects the cost of the option chosen by the retiree (e.g., consulting or benefits only). Also taken into consideration are the salary step increments the replacement teacher will receive in future years.

For a brand new program, Thompson advises trying for a spread of about $10,000 between a beginning teacher's salary and the retiring teacher's salary. A hypothetical example helps illustrate how a savings that looks good on paper evaporates over time.

Example: A district with a 10-step salary schedule pays beginning teachers with a bachelor's degree $10,000. The top salary for a bachelor's degree — step 10 — is $14,500. Jones, who makes the step 10 salary, decides to retire at age 55 under the benefit option. The district provides $1,000 in fringe benefits.

	Salary	Fringe	Total
Jones:	$14,500	$1,000	$15,500
Replacement:	$10,000	$1,000	$11,000
	First-year savings		$4,500

If $500 separates each step on the salary schedule, the amount saved would decline by $500 each year. Thompson estimated that the cost of health benefits provided the early retirees is approximately $1,000 per year.

After 10 years, the replacement employee would be earning $15,500 in salary and fringe benefits on this hypothetical salary schedule. The district would still be paying $1,000 in health benefits to the retiree for a total cost of $16,500. If Jones had not taken early retirement, he would still be at the top step of the schedule, making $15,500 in salary and fringe benefits. In this situation, the district is *losing* money rather than saving through its early retirement program.

Thompson pointed out that districts with only a few steps on the salary schedule are less likely to realize a savings. The Downey salary schedule has 13 steps.

Note: The above example does not take into account cost of living increases. If a district grants flat dollar increases, which tend to compress salary schedules, this also would need to be computed. Two other factors complicate the formula: the retiring employee may not be at the top step, and future health premiums and salary levels are unknown.

For more information, contact Helen Thompson, Director, Certificated Personnel, Downey Unified School District, 11627 Brookshire Ave., Downey, Calif. 90241.

Model No. 4: Pasadena, Calif. The Pasadena (Calif.) Unified School District began its early retirement program in 1972-73. Declining enrollment and the resulting teacher surplus were causing budget problems. Since the district was not hiring new, young teachers, Supt. Ramon Cortines was concerned that Pasadena would not continue to have a good chronological age mix of teachers.

Pasadena uses a consultant program. In an interview for this **Critical Issues Report**, Cortines said he would not use a cash bonus system because he believes a district should receive work for money spent.

Pasadena teachers are eligible for early retirement if they:

- Are age 50 and have accrued at least 10 years' service in the district.
- Make a salary of $14,896 or higher. The teachers receive a stipend of $3,500 to $5,000 for 20 consulting days a year. The size of the stipend depends on the salary earned during the last year of full-time employment.
- Agree to serve as consultants five years or until age 65.

The retirees can maintain the district-paid health insurance for the life of the consulting contract, but all other benefits cease at retirement. Typical services performed by consultants include demonstration teach-

ing, small-group instruction, staff development, writing curriculum materials, conducting research projects, sponsoring student councils and other clubs, and serving as members of evaluation committees.

Problems

Cortines suspended the program in June 1977 because enrollment decline had leveled off and because problems developed, as follows:

1. *Too many consultants*. After five years, Pasadena had 200 consultants, which was saturation. Early retirees cannot replace active teachers as substitutes, but must be used supplementally. "I think that some of them were doing Mickey Mouse jobs," Cortines said. "For example, we had an art teacher putting up various bulletin boards for her four weeks for $4,000. I put a stop to that."

2. *Losing the wrong teachers*. "I think that we lost some awfully good quality people. There is no way for a superintendent to affect who takes early retirement and who doesn't," Cortines noted. An overly successful early retirement program also can cause an age imbalance if a district loses all of its older, experienced teachers.

3. *Lack of supervision and control*. The retirees were doing projects of their own choosing at their convenience. "Many of those going to early retirement had a second job, and they were giving their 20 days when we didn't need them," Cortines said. Hiring a coordinator would solve that problem but cause another. Such an administrator could cost the district $25,000 a year, wiping out any savings from the early retirement program.

Cortines was fired by one Pasadena school board and rehired by a later one. While he was gone, the early retirement program was reinstated. Cortines appointed a committee to review the program upon his return to the district.

Cortines said he would like to see limitations imposed, such as the following:

- A percentage ceiling on those who could take advantage of the program in a given year.
- Restrictions on eligibility to subject areas where the district has a surplus. "For us to allow math teachers to go is folly," he explained. "We're having to hire math teachers."
- Limitations on consulting activities to specific areas that meet district priorities. In Pasadena, that might mean lowering pupil/adult ratios in classrooms, strengthening an art program or increasing inservice training.

Cutting Teacher Absenteeism

One significant staff cost is incurred through teacher absenteeism. When a teacher is ill or attending a conference or an inservice training session, the district continues to pay the teacher for that day and also must hire a substitute to cover the teacher's class.

Disability Days, a study conducted for the National Center for Health Statistics, found that the average work loss of employed persons 17 years and older had decreased slightly between 1965 and 1975 from 5.8 days per person per year to 5.2 days.

Teacher Absenteeism, a study conducted by the Pennsylvania School Boards Association, found, however, that absenteeism among teachers in Pennsylvania increased 106 percent between 1962 and 1978. The study was conducted during the 1977-78 school year with year-long participation by 135 school districts, representing 25,000 employees.

Among the findings:

- The "average" teacher in Pennsylvania was absent a total of 8.2 days during the 1977-78 school year. This included absence for any reason.
- More absences occur on Friday than any other day of the week.
- Small districts (fewer than 200 professional employees) tend to have lower absence rates than larger districts.
- The average work absence rate increased steadily during the school year. In addition, the use of "personal" (non-illness) days in May was almost twice the average rate for the school year.
- Elementary teachers have a slightly higher absence rate than secondary teachers.
- Female professional staff members have a significantly higher absence rate than male professional members.

Participating districts returned a reporting form monthly that was tabulated by computer. For purposes of the study, professional employees included regular classroom teachers, instructional specialists, guidance counselors, nurses and homebound instructors. It did not include administrators or support staff.

The types of absences tabulated in the study included: personal sick leave, family sick leave, emergency leave, personal leave, bereavement leave, union leave, jury duty, district-approved professional leave, military leave and "other." The study also asked the districts about their personnel practices and compared these to the work absence rate.

The mean absence rate for Pennsylvania teachers,

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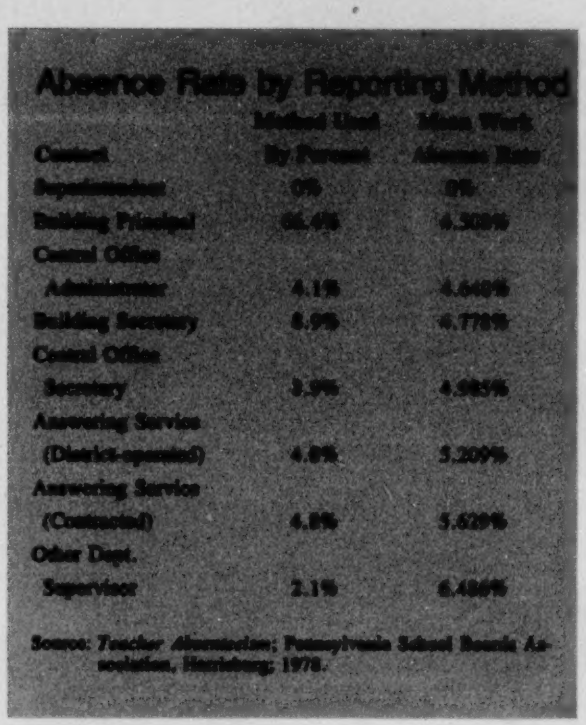
the study concluded, "exceeds all major industry rates determined by the U.S. Bureau of Labor Statistics and is approximately one-third higher than the national average of the education industry."

Union officials might argue that the higher figures were due to more days for professional meetings. The study found, however, that 69 percent of the absences were for personal sick leave.

The most effective policy in reducing absenteeism, the Pennsylvania study found, was requiring teachers



Absence Rate by Reporting Method

Contact	Method Used By Person	Mean Work Absence Rate
Superintendent	0%	0%
Building Principal	65.4%	4.308%
Central Office Administrator	4.1%	4.640%
Building Secretary	8.9%	4.778%
Central Office Secretary	3.9%	4.985%
Answering Service (District-operated)	4.8%	5.209%
Answering Service (Contracted)	4.8%	5.629%
Other Dept. Supervisor	2.1%	6.486%

Source: *Teacher Absenteeism*; Pennsylvania School Boards Association, Harrisburg; 1978.

to speak directly to the principal when reporting that they wouldn't be on the job.

The least effective methods were: reporting to an answering service and reporting to a supervisor. *Teacher Absenteeism* suggested that reporting to an answering service "is apparently too impersonal to serve as a control influence." Why is reporting to a supervisor ineffective? The study concluded that department heads and supervisors were probably viewed as fellow staff members, rather than district administrators.

Recommendations

The Pennsylvania study made a number of recommendations based on its findings:

1. Local districts should develop a "reporting off" procedure which includes direct personal contact with the building principal.
2. Building principals should maintain personal contact with the absent teacher during the period of absence and should speak directly with the teacher upon return to work.
3. A monthly absentee report should be available in each district that identifies comparative information on absenteeism rates for district schools and programs.
4. School boards should enact policies on absenteeism, including disciplinary actions for abuses.
5. When hiring, careful attention should be given to the applicant's prior history of absences or other factors that might suggest a high absence rate.
6. Teachers identified as having a high incidence of absence should be counseled to determined the reasons for the absences.
7. Districts should review scheduled activities which have an impact on teacher absence, such as faculty meetings, student assembly programs, group testing and inservice activities and consider whether the planned schedule contributes to the increased incidence of absence evident in schools as the school term progresses.

Note: *Teacher Absenteeism* is available for $3 from the Pennsylvania School Boards Association, 412 N. Second St., Harrisburg, Pa. 17101.

Case Studies

Merrick, N.Y. The Merrick (N.Y.) Union Free School District significantly reduced teacher absence by doing three things:

1. "Consciousness-raising."
2. Making principals accountable.
3. Tightening personnel policies.

The biggest factor in the reduction was "raising the consciousness of teachers" that excessive absences were a problem and that those absences were being monitored, said Supt. Harriette C. Mortman in an interview for this report.

Under Mortman's predecessor, Paul H. Gendler, the Merrick School Board modified a policy to enable administrators to include attendance as a criterion for teacher evaluation. Gendler called several teachers into his office after he arrived in the district and said he was concerned about the effect numerous teacher absences have on students. No teachers were fired or refused tenure because of absenteeism, Mortman said, but the fact that Gendler called in several teachers alerted the others that attendance was being monitored.

Under Mortman, the personnel office started to maintain attendance cards for teachers that are color-

coded according to types of absence, such as for personal leave, illness or parent conferences. The district is small (150 teachers), so Mortman is able to scrutinize the cards regularly. She watches for patterns, particularly absences on Mondays and Fridays. If she suspects abuse, she contacts the principal, who talks to the teacher. If no improvement occurs, the principal is expected to note the problem in the teacher's final evaluation.

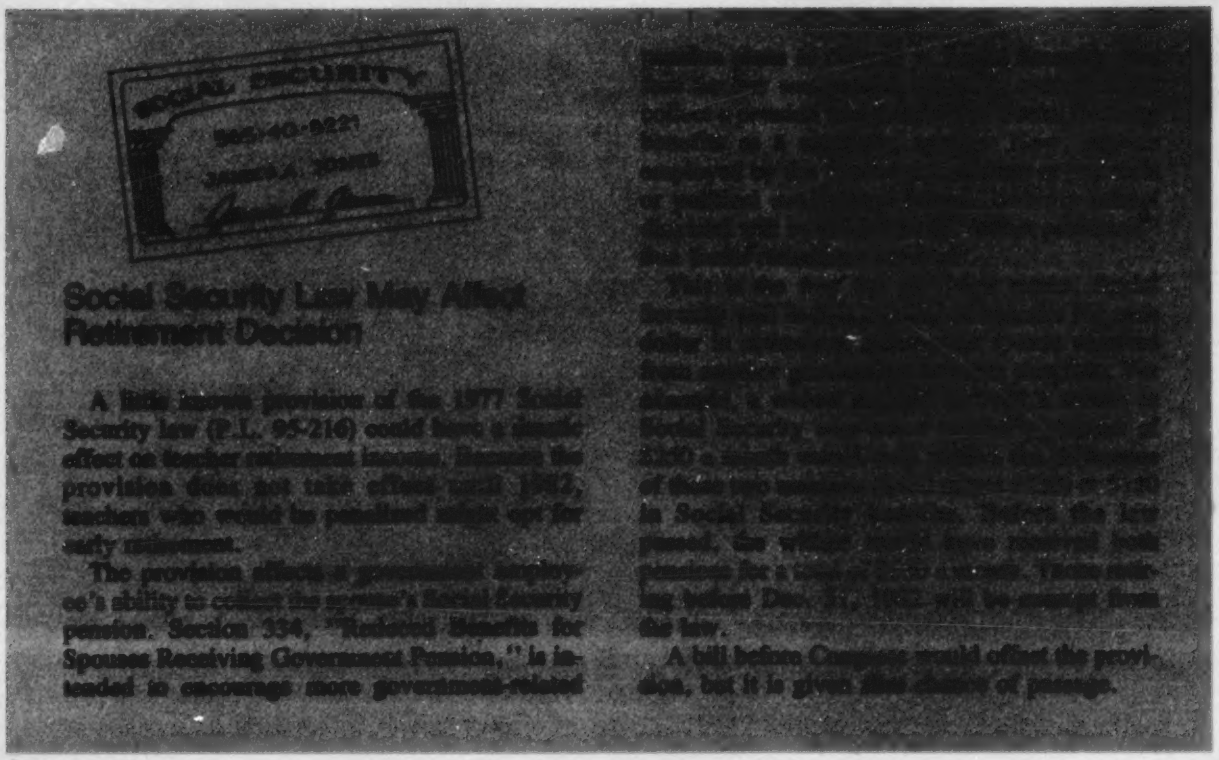
In addition, the district changed two policies regarding leave. The old policy allowed teachers to use personal leave for "family illness." The new policy says the leave can be used only for illness in the "immediate family." Formerly, teachers could take a half day for personal reasons. The district allows five personal days; consequently, teachers could be gone for 10 half days. In other words, they could conceivably miss 10 classes of a single course, seriously disrupting students' education. The new policy requires teachers to take off whole days for personal leave. The limit remains at five days.

Madison, Wis. The Madison Public Schools began a "wellness" program in 1978-79 to combat the related problems of rising health insurance and employee absenteeism. The reasons: The cost of health claims rose 268 percent over three years, and employee absenteeism rose 15 percent over four years, said Dick Schafer, a district administrator.

The wellness program — covering both health-oriented education and an activity program — initially involved 109 district administrators. At an orientation the administrators completed a health risk appraisal that considered smoking and exercise, health status and characteristics such as blood pressure and cholesterol levels. The appraisal was developed by the University of Wisconsin.

After the appraisal was scored, each administrator was invited to review the printout with a university physician; 104 of the 109 administrators attended the review. Next, an educational program was developed based on the appraisal and a needs assessment completed by each administrator. The program included clinics on smoking, nutrition and stress management, and activities such as running, canoe and cross-country ski outings and tennis tournaments.

The results? The two most significant results, according to Schafer, were changes of attitude toward physical fitness and nutrition. This translated into lifestyle changes that moved the number of administrators in the high-risk category (based on the appraisal) from 34 to five. A total of 33 administrators moved from



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high or intermediate risk to low risk. About 50 percent of the principals supported or initiated some kind of health or wellness inservice for their staff, and attitude changes also "rubbed off" on spouses and others.

Schafer wrote a proposal to the district's health carrier suggesting a rate reduction based on changes in behavior, lifestyle and body characteristics that affect health risks. The insurance company said, however, that it might have to raise rates for poor health risks if it lowered premiums for good risks. The effects of the program may "balance things out" in five years, Schafer added.

Although no reduction in health insurance occurred, employee absenteeism dropped for the first time in 15 years. Consequently, Madison saved $45,000 in substitute costs during the 1978-79 year, with only about 50 percent of district schools participating in the program. A few other factors helped lower teacher absenteeism, Schafer said. But, he noted, other districts could initiate them as well as the wellness program.

Schafer developed the wellness program while serving as a high school principal, with the help of a steering committee of district staff. He became administrator of the program during 1979-80. More than 100 volunteers assist him.

While serving as a principal, Schafer reviewed the absentee records of building employees at mid-year. He wrote personal letters to those with excessive absences, asking if he could help them with their health problems. In the letters, he also noted any excessive absences on Mondays and Fridays. The letters served as a subtle notice to employees that management was aware of the absences. The letters were not placed in employee personnel files.

In the 1979-80 school year, the program was expanded to all staff members. One change required employees to score their own health appraisal sheet using an instrument developed by the Canadian government and adapted for Wisconsin by the State Department of Public Instruction.

Tips: Schafer advises other districts to start, as Madison did, with a pilot program for administrators. Participation by all administrators should be mandatory, he said. Principals must be sold on the program before teachers are involved, he explained, because an unenthusiastic principal can scuttle the program "without batting an eye." If Madison had tried to involve teachers the first year, negotiations probably would have been required, Schafer added. "Once we found the program was successful, teachers' interest grew tremendously." (The program is optional for Madison teachers.)

The budget for the pilot year was $2,470, which was spent primarily on educational materials. In 1979-80, the budget rose to $9,785 to expand the program to 3,000 employees. A majority of the budget is used to pay for seminar speakers, with smaller amounts for secretarial help, health appraisal materials and released time for steering committee members.

Although the district may not experience a dollar-for-dollar savings on health insurance, Schaefer cites other benefits, including "a definite change in school climate." When staff members feel better about themselves, he said, they feel better about others, leading to reduced conflict between students and teachers and between teachers and administrators. Schafer also expects the reduction in absenteeism to continue.

For more information, contact Dick Schafer, Madison Public Schools, 545 W. Dayton St., Madison, Wis. 53703.

In addition to reducing teacher absences, another way to cut the cost of absenteeism is to reduce the cost of substitutes. Here are several ways to do that:

Substitute Quota System The Fairfield (Conn.) Public Schools, a district with 700 certified teachers, has been able to reduce its use of substitute teachers with a combination of consciousness raising and competition. Each school in the district receives a "quota" of substitute days based on number of employees. Before the system was instituted, Ralph M. Burke, administrative assistant for personnel, studied absence rates for the preceding three years. The absences averaged seven days per year per certified employee.

Under the quota system, each school gets six substitute days per employee. The extra day per employee goes into a districtwide bank. If an employee is absent with a long illness, the first 10 days are charged against the building, and the remainder is drawn from the bank. Absences for district-related business also are drawn from the bank.

Each month, Burke sends a computer printout to the schools showing each building's substitute quota, the number of days charged to date and the number of days left before the quota is used up. The printouts generate a sense of competition, Burke said in an interview for this report. Keeping down the number of

substitutes becomes a matter of pride.

Since the program began, the district has converted to school-based budgeting. Now, days saved represent actual dollars that a school can use for other things.

The quota system does two things: It causes teachers to be more judicious in taking sick days or other time off, and it spurs principals to be more creative in the use of substitutes. For example, if two teachers are absent and they had planned field trips, the principal might combine the classes under a single substitute. Or, if a pep rally is scheduled for the afternoon, the principal would need to line up one substitute for a half day.

Drawbacks: Sometimes, in their zeal to conserve substitute funds, the principals may use bad judgment, Burke noted. If principals try to cover classes instead of calling a substitute, they could reduce their own effectiveness. Also, if a music teacher is not replaced, the classroom teacher who expected a free period will resent the effort to save money, and the students will lose some music instruction. Sometimes, a principal will be unable to get a specialty substitute, and the teachers may think the principal is "just scrimping."

The other main problem is that averages will not cover each situation. If a district has several teachers in one year with serious illness, the quota may be exhausted through no one's fault. In those cases, Burke said, the district can usually bail out the school through the districtwide bank. Because each school is saving, the bank usually has a surplus, he noted.

Note: Burke maintains the option of not bailing out a school if he thinks staff members have not spent their quota wisely. For example, one principal may be considerably more lenient in approving leaves for teachers to attend conferences. With school based budgeting, the school may borrow from another fund, after notifying the business office. If a school's quota is running low and a principal knows three teachers plan to attend a conference, the principal could conceivably charge the substitutes to the curriculum improvement fund.

Fairfield also has a pool of substitutes in the form of education interns working on their master's degrees. The district places a $3,500 stipend at the university of the student's choosing. In return, the graduate student, who is a credentialed teacher, spends 90 days teaching in the district's gifted and talented program. The graduate student also can be used as a substitute in an assigned school for up to 90 days. Those days come out of the school's quota.

For more information, contact Ralph M. Burke, Administrative Assistant for Personnel, Fairfield Public Schools, P.O. Box 220, Fairfield, Conn. 06430.

Substitute Enrichment Program

Syosset (N.Y.) High School, an 1,800-pupil school, saves about 20 percent of its substitute budget by running an enrichment program for students. A teacher who intends to miss a day of school can request a substitute or refer students to the enrichment program. During the class period that would normally be filled by a substitute, the student has the choice of going to the library, auditing another class or selecting from a variety of speakers, demonstrations or films scheduled by the Substitute Enrichment Program.

The program grew out of student frustration with substitutes, explained Norman Schwartz in an interview for this report. Schwartz, assistant superintendent for secondary education, said students questioned why they had to have a "baby sitter," when it would be more profitable to go to the library. After talking with some students and teachers, Schwartz patterned a program after an enrichment program for gifted students that he had started in another district.

The program is run by a program coordinator, two assistants and a core of dedicated students. The students choose the programs, contact the speakers and provide the publicity and follow-up. In a typical year, about 450 live programs and a number of films are presented. At any one time, a minimum of 35 students are working for the enrichment program in their free time. They do not receive class credit, but the work they do and the responsibility they assume provide valuable experience. The student component was initiated by the person hired to administer the program.

The program administrator's salary is paid with funds that would normally be used to pay substitutes. About half of the guest speakers are paid. Some of the free programs originate within the district. For example, a junior high teacher spent the summer of 1979 in Iran. The students asked this teacher to speak while Iranians were holding Americans hostage in Tehran. Another program gave exposure to a student string quintet that wanted to perform before an audience. Schwartz noted that the students sometimes have success in lining up celebrities — such as a Yankee second baseman — who would turn down an adult administrator. When the enrichment speaker is a regular full-time teacher, a substitute is scheduled to cover that teacher's class.

Cautions

Schwartz advises other districts interested in starting a substitute enrichment program to observe the following cautions:

- **Don't replace teachers with a "baby sitter."** A district should not be so interested in saving money

that it subverts the educational aspects of an enrichment program. "I'm concerned that some district will just put in a bunch of movies," Schwartz explained. In Syosset, the motivation was not to save money, but to make the school a more stimulating place. While the program saves about 20 percent of the substitute budget, Schwartz said it could save 30 percent by scheduling more free speakers and programs.

- **Adapt, don't adopt.** Any program that is successful is geared to meet the particular needs of a given school. For this reason, Schwartz urges schools to study the Syosset method and then to adapt it to meet their own situation. Some schools have failed by trying to adopt the program in toto, he noted. In contrast, he said, 30 to 40 schools near Syosset have successfully implemented their own variations.

Also important to note: Any teacher who will be absent three or more days must request a substitute.

Districts Cut Costs by Sharing Principals

When large numbers of teachers are laid off, district usually face pressure to terminate or reduce the number of administrators to avoid becoming top heavy. To illustrate: A citizens advisory committee in Yorkville, Ill., recommended that the 2,100-pupil district reduce administrative staff by converting full-time administrative jobs to positions that were part-administrative and part teaching and by combining elementary school principalships.

Yorkville Supt. James A. Garnett noted that an assistant principalship in the junior high school could be combined with a part-time teaching assignment. At the same time, however, he recommended against combining elementary principalships and against the elimination of department heads at the high school level. "The importance of having the department heads to assist with curriculum planning cannot be overemphasized," he said. "Many projects would not be initiated or completed without this help."

Several other districts responding to the Critical Issues Survey said they had combined school principalships. In fact, noted the National Association of Elementary School Principals (NAESP) in its *1978 Study of the Principalship*, the idea of sharing principals has become a definite trend. In 1968, the study noted, 8.8 percent of elementary principals were responsible for two schools. Ten years later, the figure had escalated to 13.2 percent.

"This development is a disturbing trend," said NAESP Executive Director William Pharis in an interview for this report. "We think every child is entitled to the services of a full-time, qualified principal," he added.

"In areas of leadership and crisis intervention," Pharis continued, "the odds are that the shared principal would always be in the wrong place."

NAESP advocates the closing of small schools rather than making them share a principal. Pharis contends that the issue of whether to close a small school extends beyond that of cost-effective administration, e.g., through the use of a part-time principal. "If a school is too small, it cannot provide the variety of services needed, especially with requirements like P.L. 94-142" (the Education for All Handicapped Children Act).

Some other districts, however, have opted for shared principalships over the other alternatives available to them. The Redondo Beach (Calif.) City Schools, for example, closed some schools and kept others open with shared principals. Business manager Nick Parras explained that, while sharing principals is not a particularly good educational practice, sometimes it is preferable to the trade-offs involved in closing some schools.

In Redondo Beach, a fairly small geographical area, most student walk only one-half mile to school. Closing certain schools would mean those children would have to walk 2½ to 3 miles to school.

The district allocates $50 a month to schools sharing a principal to pay a designated teacher to be in charge when the principal is absent. If the principal is going to be away for several days, the district assigns a substitute to cover the teacher's class. Otherwise, any administrative matters are in addition to the teacher's regular duties.

One advantage for the designated teacher is the opportunity to try management on a part-time basis before seeking a full-time administrative job.

For shorter absences, the teacher may decide whether to have a substitute. At first, Syosset teachers were skeptical, and only 20 to 30 percent requested the program, Schwartz said. Now, only about 20 to 30 percent request a substitute.

For more information, contact Norman Schwartz, Assistant Superintendent, Secondary Education, Syosset Central School District, Pell Lane, Syosset, N.Y. 11791.

The Resource Room In 1976-77, the 2,700-pupil New Rochelle (N.Y.) High School spent approximately $40,000 on substitutes to cover teacher absences. In looking for alternatives, school leaders sought not only a program that would save money but also one that would relate to the subject matter of each class. Their solution saves about 60 percent of the substitute budget. Moreover, it is educationally sound and has reduced the excessive class cutting that used to accompany putting a substitute in charge of a class.

New Rochelle teachers are required to prepare two emergency lessons that may be given to the students whenever they are absent. The lessons are self-contained learning packages that take one class period to complete and may be used at any time during the school year. The English and mathematics learning packages generally contain skill activities that relate to scholastic aptitude tests. Social studies lessons frequently involve map work or essays related to current events. The lessons are typed on ditto sheets so each student can have a copy.

In New Rochelle, the students report to a departmental resource room that is staffed by a paraprofessional. In an interview for this report, Principal James Gaddy suggested that other high schools could use an auditorium, a cafeteria, an unused classroom or a study hall. "Once the students are acclimated to the system," he said, "one aide can serve up to three classes."

The prepared lessons contain all the information the student needs, so the aide is not teaching the class. Also, the resource room is used only for absences of one or two days. Any teacher who will be absent three or more days is replaced by a substitute. The aide takes attendance and answers questions.

"The key to success," Gaddy said, "is the quality of assignments." When students see that the lessons will be graded and discussed in class and are not busywork, they consider the assignments to be legitimate.

Gaddy offers these tips for making the program work:

1. In adapting the resource room to another school, Gaddy advised that an administrator research the average number of teacher absences each month. In this way, the principal will be able to anticipate how many aides will be needed.
2. Find an appropriate location in the school. The cafeteria can be used when meals are not being served. The size or number of rooms depends on the size of the school enrollment and the number of teachers likely to be absent.
3. Designate someone to check the lessons to be sure they are not busywork. At New Rochelle High School, the department heads check the lessons and help teachers who need assistance in designing the packages.

To reduce class cutting, the aide reports absent students to administrators, who go looking for them. Class cutting has dropped tremendously and is now limited to "the chronic class cutters," Gaddy said.

At the beginning of the year, teacher absences tend to be light, which gives both aides and students a chance to learn the system. During the first year of New Rochelle's program, Gaddy said someone else on the staff would help "pinch hit" if the aide became overloaded. "Now, the program runs like clockwork."

For more information, contact James R. Gaddy, Principal, New Rochelle High School, 65 Clove Rd., New Rochelle, N.Y. 10801.

Job sharing is a relatively new concept of employment — one that may appeal to both teachers and districts. For teachers, the main advantage is working less than full time in a responsible job. Sharing a full-time job may be attractive to teachers who want to devote more time to their families, to older persons who want to slow down and to those who want time to pursue an advanced degree or a second career.

Who gets involved in job sharing? A study of several hundred job sharers sponsored by the W.E. Upjohn Institute for Employment Research found that teachers comprised the largest number (26 percent) of job sharers in the field of education. Next came administrators, coordinators and program developers (25 percent). Other school employees who shared jobs included secretaries, receptionists and clerical workers

(15 percent); counselors, social workers and psychologists (13 percent); and researchers and technicians (9 percent).

The Upjohn study, *Job Sharing: A New Pattern for Quality of Work and Life*, found that teachers who shared jobs were generally employed in medium- and large-sized public school districts. Once used, the concept of job sharing seems to spread in a district. To illustrate: 41 percent of the teachers sharing jobs worked in districts with up to five other job sharing partnerships.

More than 90 percent of the teachers and administrators surveyed in the Upjohn study noted that a special requisite of job sharing is good communications between the partners.

More effectiveness; more commitment. All of the teachers and administrators sharing jobs told the Upjohn researchers they felt more effective in job sharing arrangements and that their commitment to their jobs was enhanced. Many said they worked more than half time because of their responsibility to the job and their commitment to making the team work. Most sharing teams are anxious to succeed because they see themselves as pioneers who will determine whether their organizations will extend to others the opportunity to share jobs. All of the teachers and administrators surveyed in the Upjohn study said, moreover, they planned to stay in shared positions "indefinitely."

Advantages to school districts. Teachers and administrators with job sharing experience cite these advantages for school districts:

- Two employees working half time are likely to have more energy and enthusiasm than a single employee working full time.
- Especially at the elementary level, each team member can devote more time to lesson plans because they have fewer to prepare.
- Teachers can combine complementary skills.
- Sharing can cut down on the number of jobs lost through mandatory layoffs. A district's efforts to provide a positive alternative to layoffs can improve morale.
- When a full-time teacher at the top of the salary schedule shares a position with a younger teacher, the district may save money.
- Children may benefit. When teams divide days, a child who misbehaves in the morning has a chance to start over with a different person in the afternoon.
- Job sharing that includes a new, young teacher may help a district satisfy affirmative action goals and may infuse new ideas into a school.
- Turnover is less likely in a high pressure job when it is shared by two persons.

Disadvantages to school districts. Administrators and some job sharers cite these disadvantages:

- Breakdowns in communications between partners may occur.
- Some parents object to their elementary school child having more than one teacher.
- Problems may occur if the sharing teachers have different teaching styles or incompatible standards for academic work and discipline.
- Other staff members may be jealous of the flexibility enjoyed by the sharing team. A sharing arrangement must be adequately explained in advance, so others know the partners are receiving only half salary in exchange for reduced hours.

Policy considerations. In establishing policy for a job sharing program, school districts should consider the following:

1. Will the program be a pilot? If so, what limitations will be placed on the number of participants?
2. Will the program be limited to current employees? If so, will seniority be a factor? Or will the option be open to new employees? If the reason for initiating the program is declining enrollment, the district may need to limit it to current employees. If saving money is the primary goal, the district will want to encourage new teachers to apply.
3. Will the district determine scheduling options? Or will sharing teams be permitted to make a proposal?
4. Must two persons propose a single job or will applications be accepted from individuals? If proposals are limited to pairs, a district will have fewer applicants. On the other hand, a district should not overlook the advantage of allowing two compatible teachers to develop a joint proposal.
5. How will fringe benefits be handled? The options are: paying full fringe benefits for both team members, dividing the fringe benefits or paying no fringe benefits.
6. Will the teachers be eligible to return to full-time status? Under what circumstances?
7. How will the shared job affect retirement benefits?
8. How will employees be evaluated? As individuals, as a team or as a combination of the two?
9. Which district employees will be eligible to participate in the program? Only teachers or others?

Case Studies

The Upjohn study profiled three job sharing partnerships in education: two reading resource teachers at an elementary school, a pair who shared a combined third- and fourth-grade class, and two librarians who shared the supervision of a high school library.

The reading resource teachers said they benefitted from discussing common problems and bouncing ideas off each other.

In the classroom teacher pair, Ralph, a former principal, was able to share his skills in organization and discipline. Lucille, a younger teacher, explained to him new trends in curriculum development.

The high school librarian job historically had been difficult to fill because the person had to supervise 1,500 students daily in study hall in addition to running a library. The principal said of the two librarians who shared the job: "These two have been outstanding. They are not watching the clock to the same extent that a full-time employee often is. Since they cover for each other rather than call in substitutes, we probably pay for many fewer extra days."

Caution: Savings on substitutes may not be automatic. Savings may be possible only when the district allows partners to switch time, e.g., by permitting the afternoon teacher to substitute for the morning partner and vice versa.

Here are additional brief case studies to illustrate how several school districts are making use of the job sharing concept:

Redondo Beach, Calif. The Redondo Beach (Calif.) City Schools began offering job sharing and early retirement to cope with declining enrollment and a concomitant loss of financial aid. The 5,200-pupil, K-8 district lost nearly 1,500 students in three years. In 1977-78, the first year job sharing was offered, 80 teachers were terminated. Later, 30 were reemployed.

Job sharing is open to any permanent teachers in the Redondo Beach schools who are rated satisfactory or above on their evaluations. They may work half days or alternate semesters, but they may not split the week (teaching alternately three days and two days) because "that would disrupt continuity," said Nick Parras, the district's business manager, in an interview for this **Critical Issues Report.**

The sharing teachers receive full fringe benefits and do not waive seniority or tenure. The major concession they make is to attend all orientation days (approximately three) at the beginning of the school year, for which they receive half salary.

Under the district policy, sharing teachers are eligible for regular salary increments if they work at least 75 percent of their scheduled time. Those who wish to return to full-time work must notify the district by April 15. As a disincentive, however, the district policy states that teachers will not receive an increment in the first year they are back on a full-time shedule.

The district's job sharing and early retirement policies are not part of its negotiated contract, although teachers may discuss both programs at the bargaining table, Parras said.

During the 1979-80 school year, only four of the district's 212 teachers were sharing jobs. "I wish more would take advantage of it," Parras said. Why haven't they? "Most families like having two full incomes," he said. Parras concluded that one way the district might improve participation would be by giving the option more publicity, so more teachers would consider it.

East Grand Rapids, Mich. The East Grand Rapids (Mich.) School District, with 2,600 students, also began offering job sharing and early retirement because of enrollment decline. Between 1976 and 1979, the district lost 515 pupils.

Sharing teachers receive a prorated salary based on how the shared job is divided. The school principal determines the teaching schedule with the assistance of the involved teachers.

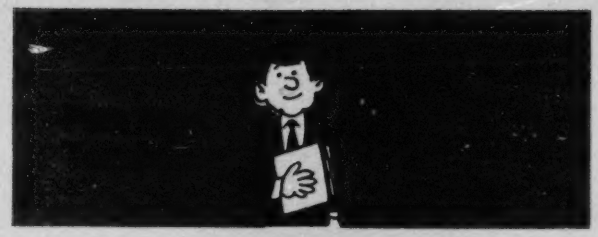
Job-sharing teachers in East Grand Rapids retain full longevity rights, and each teacher has the right to request full-time employment at the end of the school year. The administration also may require either or both teachers to return to full-time employment at the end of a school year if that is in the best interests of the district.

Job sharing is part of the master agreement with district teachers, and provisions may be changed through the negotiations process.

Fairfax, Calif. The Fairfax Elementary School District in the San Francisco Bay Area began its job-sharing program in 1976-77. Teachers may share weeks or the year — each teaching one semester and being off one semester. The split week is far more popular than the semester option. Another option available to Fairfax teachers is a split week. Fringe benefits are split according to the proportion of time worked, with teachers paying the balance of benefits such as health insurance through payroll deductions.

In the 1979-80 school year, four of the district's 26 classroom teachers shared jobs. Both pairs split the week 60-40. Teachers must work at least 60 percent to advance on the salary schedule. The two 40-percent partners are temporary teachers who had been substitutes in the past. The district is saving money, said a school representative in an interview for this report, because the former substitutes began at the bottom of the salary schedule while all other Fairfax teachers have been with the district a minimum of nine years.

The only additional expense to the district is for inservice meetings on two days. All teachers are required to attend.



Related to job-sharing is the option of hiring part-time teachers. Unlike job sharing, which fills a full-time position, part-time teachers can teach courses with low enrollment.

As with job sharing, a district must decide how to handle fringe benefits. A common practice is to pay full fringe benefits for any employee working half time or more and no fringe benefits for a staff member working less than half time.

The Fairfield (Conn.) Public Schools, with 9,300 students, hires part-time teachers for a variety of reasons. If a high school offers only three sections of Spanish, for example, the district hires a teacher for 60 percent of a full-time job and pays 60 percent of salary and full fringe benefits. In the past, the district would have hired a full-time Spanish teacher and filled out the rest of the teacher's schedule with study halls and cafeteria duty, explained Ralph Burke, administrative assistant for personnel, in an interview for this **Critical Issues Report.** "With declining enrollment, we can't afford to do that."

In another instance, Fairfield had 60 pupils in an elementary grade. Hiring three full-time teachers would have been too expensive, and having two classes of 30 pupils each was seen as unfair to the students, Burke said. The district opted to hire two full-time and one half-time teachers. In the mornings, the students are split into three classes of 20 each to learn the basic skills. In the afternoons, the two full-time teachers teach gym, music and other classes requiring less individual attention. Another solution would be to combine adjacent grades to obtain an equitable division of students among full-time teachers.

Part-time teaching is a good option to use with specialists, Burke noted. For example, with the retirement of a music teacher who had divided her time between two schools, Burke hired a half-time music teacher for each school. Each half-time teacher received full fringe benefits, therefore this option was slightly more expensive than sharing a full-time teacher. Burke said, however, that two teachers can provide better service than one at holiday times and other special events.

Note: The part-time option can provide flexibility in accommodating teachers who are returning from leaves. One year, Fairfield had seven teachers returning from maternity leave. Because some wanted half-time positions, the district was able to accommodate all seven. That would not have been true, Burke noted, if all had wanted full-time jobs.

Another approach: Whenever possible, Burke suggested, districts should hire teachers with dual certification. A teacher certified to teach a language, for example, is a better buy than two teachers without such certification who work part time and receive full fringe benefits or a teacher with single certification who runs a study hall.

A disadvantage: Hiring part-time teachers can cause recruitment problems, particularly if other nearby districts have full-time openings. Trying to hire part-time staffers also limits the radius of recruitment, Burke said, because many persons are less willing to commute a long distance for a part-time job. One exception can be a part-time job for a position such as a social worker which is limited to certain days each week.

Part-Time Option: Sharing Staff

Another part-time option is to share staff between two districts. The 500-student River Grove (Ill.) Public Schools, for example, only needed a teacher of English as a Second Language a few hours weekly. Supt. Patrick Patt said in an interview for this report that the district contracts for that teacher's time from an adjacent district. The "home district" pays the teacher full fringe benefits.

River Grove contracts for a social worker one day a week and pays that person's home district for 20 percent of salary. The district also shares several teachers half time. An industrial education teacher works in River Grove in the morning and teaches in a neighboring district in the afternoon. If a teacher is shared 50-50, the person's "home district" pays the full fringe benefits.

Disadvantages: The primary disadvantage to sharing staff members with another district is that of accessibility. Patt noted, for example, that it would be difficult to find the shared social worker without knowing the full work schedule. Decisions are sometimes postponed until the staff member is back at the district. On balance, however, Patt sees staff sharing as preferable to doing without the service.

Paid Aides

Another way to save money on staffing is to use paid aides instead of certified teachers for some duties. Hiring paraprofessionals to maintain order in the

How To Fit Personnel Practices to a Smaller Staff

Districts that have lost large numbers of students may find that their central offices need reorganizing to reflect the needs of a smaller school system.

The California School District Management Team, an arm of the California State Department of Education, recommends these changes to make personnel departments more efficient:

1. Combine personnel transactions and payroll in a single central office.

The idea, says the team, is to consider payroll and personnel administration as one function with a common objective: a timely and accurate paycheck for each district employee.

Many districts that ask for help from the team spread personnel transactions and payroll responsibilities among a series of offices. As a result, the team often finds: fragmentation of records, confusion of accountability, more complicated procedures, overlapping roles, too much formal written communication among individuals and units, duplication of records and activities. In such a program, responsibility for health benefits and employee leaves are segmented. One result is that employees making inquiries may be transferred several times before they get an answer.

2. Consolidate personnel functions for certified and classified staff in a single office.

A single office has the most benefits for a large school district, the team said. Coordination between payroll and personnel is simpler, and there is less likelihood that separate forms will be created for each different type of employee when a single form, properly designed, will do.

3. Discontinue advance salary payments to employees who work less than a full year.

Districts who pay certified staff in equal monthly installments make two payments, for July and August, before school starts in September (if the contract year starts July 1). While this may have been to the district's advantage during periods of aggressive recruitment, such advance payments are unlikely to be in the district's best interest in periods of decline. The team recommends designing a new schedule of payments and phasing it in over three years to avoid hardship to the employees.

4. Scale down recruitment practices.

Districts with surplus teachers often follow the same time-consuming recruitment practices that were necessary in times of teacher shortages. This includes accepting an excessive number of teacher applications, which entails in-depth application reviews, multiple interviewing and an elaborate record system. Instead, the district could place requests with employment agencies, list openings in professional journals and collaborate with neighboring districts to jointly use application files.

5. Maintain a single payroll.

Some districts maintain two payrolls: one for full-time employees and one for hourly employees who work by the day, week or month. The team recommends placing hourly employees on the regular monthly payroll. Why? It requires much less work to adjust the exceptions to the hours actually worked than to create a separate payroll each month for special cases.

6. Cap accumulated vacation benefits.

Districts might consider limiting the number of vacation days that can be accumulated by an employee. This prevents leaving a position vacant for an extended period when an employee leaves who has weeks of vacation credits. It also prevents paying double — to a new employee and to the terminating employee on vacation. Limits also prevent an employee from taking an extended vacation that could be detrimental to the district's operation. The team suggests these limitations: a maximum of 30 days of accumulated vacation for employees with 10 years or less of service and a maximum of 40 days of accumulated vacation for those with more than 10 years of service. Vacation credits beyond those amounts should be automatically cancelled on January 1 of each year, the team suggests.

lunchroom is a better use of funds than using teachers because they can spend the freed time to teach. At least, that's how the reasoning of proponents goes.

In the 1960s, mainly because of pressure from teachers and their unions, some school districts hired large numbers of aides for such duties as lunchroom monitoring. However, such aides became a highly visible target when schools began to make cuts, noted William Wilken of the National Conference of State Legislatures.

Several districts responding to the **Critical Issues Survey** for this report use aides in large classes containing students with special needs. Aides also are used to fulfill other functions, particularly if outside funding can be found to pay their salaries.

The Fairfield (Conn.) Public Schools tried using aides in an innovative way. Teachers "hated running study halls," so Fairfield hired aides for that purpose, said the district's Ralph Burke. In return, the teachers were to use the freed time to offer mini-courses. The district intended to divert students from the study halls to the mini-courses, thereby requiring fewer aides. The strategy worked for awhile, but the teachers began to resent it, Burke noted. Eventually, the aides were phased out of both high schools in the district. Now students are given the option of skipping study hall by coming to school late or leaving early.

Caution: The idea of giving students free time rather than study hall can invite chaos. At one Denver area school, students wandered the halls and the administrators didn't know if they were skipping class, on free time or were non-students.

Caution No. 2: Districts that try to substitute aides for teachers, even for nonprofessional jobs such as lunchroom duty, may be charged with an unfair labor practice. The charge, Burke said, could be based on the principle that the district is taking work from one bargaining unit and giving it to another. Although teachers do not like such jobs, neither do they like losing them if the result is fewer teaching positions.

Volunteer Programs

Districts of all sizes can stretch their resources by using volunteers. Many of the districts responding to the **Critical Issues Survey** said they used volunteers, either for single projects or ongoing programs.

The 3,700-student Hudson (Ohio) Local School District, for example, has had an active volunteer program in operation for 10 years.

What do volunteers do? One example: The 29,000-student Warren (Mich.) Consolidated School District used student and booster club volunteers to paint a school.

Volunteer programs can be organized districtwide or school by school. Sophisticated programs often have a staff and training program, handbooks and evaluation procedures for both volunteers and supervisors.

The range of volunteer opportunities is almost limitless. A volunteer program in the Dayton (Ohio) Public Schools, for example, describes these volunteer positions with the duties of each:

- *Teacher assistant* — tutoring, leading small groups, telling stories to young children and assisting on field trips and in the media center.
- *Clerical assistant* — preparing audiovisual materials, collecting and counting money, keeping records, and helping in school libraries, media centers and computer-supported instruction centers.
- *Resource person* — speaking to classes about careers or travel, sharing special skills, showing travel slides or films, sponsoring club activities and setting up and operating laboratory equipment.
- *Playground assistant* — assisting with physical activities at noon, recess and before and after school; enforcing playground rules; referring problems to the principal or certified person in charge.
- *Lunchroom assistant* — assisting in the lunchroom, enforcing rules and referring problems to the principal or certified person in charge.
- *Public relations assistant* — distributing information to parents and other community members, canvassing the community for a school-related purpose and referring community questions to the proper school source.
- *Bus stop assistant* — providing for the safety of children at bus drop-off and pick-up points.

Advantages: In addition to saving money, using volunteers can reap other rewards. When parents and community members enter classrooms, they become more aware of the programs being offered and usually more supportive of the school. Volunteers also can bring special expertise into the classroom that would otherwise be available only at additional cost. Volunteer aides lower the pupil-adult ratio in classes and provide the teacher with opportunities to give more individual attention to students.

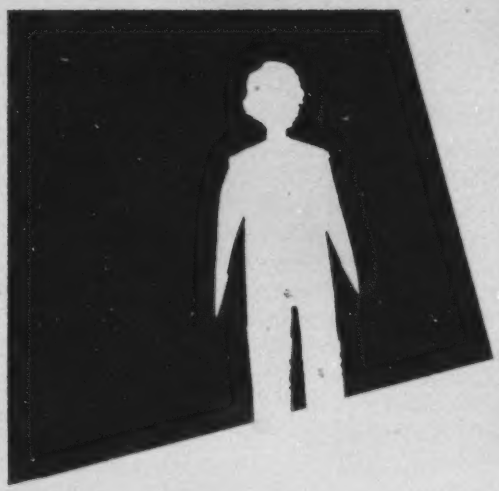
Student volunteers can be effective tutors, and student volunteer activities teach valuable, job-related skills, such as the importance of being on time and following directions.

Disadvantages: The primary disadvantage of using volunteers is that a poorly organized program may cause teachers to waste time. If volunteers work for only short periods, for example, a teacher may spend as much time in orienting the volunteers as the time saved by their participation. The solution to this prob-

lem is to ask volunteers to commit themselves for a semester or a year to a regular schedule. Teachers should also be instructed to plan ahead so maximum benefit can be obtained from volunteers. Pamphlets for volunteers giving do's and don'ts can eliminate many potential problems.

When volunteer programs are initiated, teachers may feel threatened. Particularly when the stated goal is to save money, teachers may fear that volunteers will be used to replace them in the classroom. In addition, teachers sometimes suspect that volunteers will be used to keep schools open during a strike. Opposition by teachers can scuttle a volunteer program by making the volunteers feel unwanted. To avoid that possibility, school officials should make clear that volunteers are intended to supplement, not replace teachers. Guidelines should specify who is responsible for supervising volunteers.

Volunteer programs can easily be structured to fit the needs of a district. A program can be extensive and sophisticated, offering a variety of volunteer opportunities. Or it can be small and informal. Widespread use of both types of programs offers testimony to their effectiveness.



Chapter IV

Reduction in Force

In any district with declining enrollment, a reduction in force (RIF) is an unpleasant possibility. As with other aspects of budget cutting, advance planning can make a RIF less traumatic.

Experts recommend planning a RIF two to five years in advance. With that amount of lead time, school administrators can develop enrollment projections that indicate when and where reductions should be made.

A long-range plan also should consider the number of staff members and their placement on the salary schedule. If many employees are not at the top of the salary scale, for example, salary increases will create additional pressure on future budgets.

Another advantage of advance planning: Projections three to five years in the future may affect present decisions about granting tenure. A person who is due tenure this year may fill a position that will not be needed in the near future. With advance warning of an impending surplus of staff, some reductions may be accomplished through attrition.

If large cuts in staffing must be made without the luxury of lead time, districts may want to calculate the actual cost of layoffs. A study for the New York State Continuity of Employment Committee found, for example, that laying off 100 employees could actually be *more expensive* than carrying excess staff on the payroll an extra year and allowing reduction through attrition.

District administrators and school board members should be aware that layoffs can lead to poor morale and lowered productivity. In addition, the anxiety caused by layoff threats can induce some employees to leave who would not be laid off. If they must be replaced, the cost of hiring and retraining should be charged against layoff savings.

Laid-off teachers who do not soon find other work are entitled to unemployment compensation that is charged against the district. The New York study included some layoff costs that would not be incurred by schools, such as lost income tax revenue. The study demonstrates, however, that each district would be well advised to look for hidden costs that could eliminate or sharply reduce the advantages of layoffs. If state laws require extensive due process procedures for RIFfed teachers, for example, those administrative costs should be figured into the RIF equation.

Caution: Errors in calculation can cause another layoff-related cost. Richard Powers of the Roseville (Mich.) Community Schools pointed out that some districts have unnecessarily paid large amounts in unemployment compensation to teachers they have rehired. The problem is this: Generally, districts must notify teachers of nonrenewal of contracts in the spring. In some states, those teachers would be entitled to unemployment compensation for the summer months. If the district miscalculates its enrollment decline and has to rehire the teachers in the fall, the unemployment compensation is money down the drain.

RIF Policies

RIF policies have two purposes: To determine how to choose those to be laid off and how the procedure is to be carried out. School boards should adopt RIF policies specific enough so the superintendent can implement them without further direction once the board has voted to cut staff.

Among the issues to be addressed in the policy are:

- What priority will be used to lay off staff? Will it be based on seniority, merit, a combination of the two or something else? If seniority is used, will it be by department or by school?
- How will specialty teachers be affected? Will music teachers compete only with music teachers in retaining jobs, for example, or can they be bumped by someone else?
- Will the district grant "retreat" or bumping rights? That is, can a person retreat to a job that will not be eliminated? For example, can administrators retreat to teaching jobs?
- What rights do laid off teachers have? Can they continue to receive fringe benefits if they pay for them? Can they bump into the ranks of substitute teachers? How long will they retain recall rights?
- What will be the role of the teachers union? Will RIF be considered a negotiable item? If RIF is negotiable, one expert advised, "make sure everyone understands what seniority is. Write it in third-grade language."
- How will RIF policy affect affirmative action?

Because state laws differ, districts are advised to consult a lawyer in drafting RIF policies. Some states, for example, say that layoffs and recalls must be based strictly on seniority. Others permit the use of evaluation or consideration of a person's certification and other qualifications.

Some state statutes contain fuzzy terms allowing a RIF only when it is "reasonable" or "justifiable." A school attorney or a state professional organization can help determine whether a state court has clarified the meaning of such terms.

Note: State tenure laws are generally intended to protect teachers from unjustified dismissals. As such, they do not prohibit districts from laying off teachers.

Cautions: RIF policies should avoid setting narrow preconditions that will limit the district's flexibility. Such restrictions could include stating a specific enrollment drop or budget decrease as a "trigger" for a RIF or promising to make other cuts first, saving RIF as a last resort.

Other pitfalls: promising to make proportional cuts in administrative and non-teaching ranks or pledging to maintain the "lowest possible" student-teacher ratios.

Experts generally recommend against granting hearing rights to teachers caught in a RIF unless hearings are specifically required by state law. If state law mandates a certain time schedule for notifying personnel of a layoff, the dates should be included in the RIF policy. Otherwise, it should not specify dates.

Negotiating a RIF Policy

Should a RIF policy be the subject of negotiations? Not if it can be avoided, experts advise.

The problem with contract clauses is that they severely limit the management prerogatives of a school district. The Yonkers (N.Y.) City School District, for example, signed a contract with its teachers stating that no teacher would be laid off for budgetary reasons during the term of the contract. In 1975, the district was forced to lay off 50 employees, including many teachers, to cope with a severe financial crisis. The union took the district to court and won. Through ensuing appeals, the courts essentially ruled that the district was obligated to honor the contract — short of outright bankruptcy.

In some states, school boards are not legally allowed to negotiate RIF procedures. In states where RIF is legally within the scope of bargaining, districts can expect intense pressure from teachers unions to negotiate job security clauses.

What school districts should not agree to: William A. Spenla, Garry M. Whalen and Cathleen Otto, three labor relations specialists for the New Jersey School Boards Association, concluded in the April 1978 issue of *The Journal of Law and Education* that districts should avoid agreeing to:

- Clauses prohibiting RIF.
- Provisions establishing a minimum class size, number of specialists, number of aides.
- Prohibition of voluntary transfers.
- "Just cause" provisions for non-tenured teachers. Note, however, that courts generally have ruled that layoffs for economic reasons constitute just cause.
- Provisions specifying procedures for RIF and recall of non-tenured teachers.
- Reemployment rights for non-tenured teachers.
- Ambiguous language, e.g., permitting a RIF only when there is a "substantial" or "drastic" decline in enrollment.
- Clauses subjecting the RIF decision, procedures or impact to arbitration.

"This is not to say," the three authors added, "that a board should not negotiate over any matter concerning RIF. Certainly, orderly procedures, including notice and methods for board review of applications of RIF procedures could be negotiated." The authors emphasized that state laws outlining layoff and recall procedures must be followed. Finally, they advised, boards should distinguish between nonrenewal for cause and layoff for economic reasons when notifying individual teachers of the reason for their separation.

Note: Several negotiations experts advise that if negotiating on RIF is inevitable, management should

be able to gain important concessions in other areas in exchange.

RIF Methods

School districts basically use four methods to determine layoffs:

- Seniority.
- Merit.
- Mixed.
- Take-your-choice.

Method No. 1: Seniority Seniority, or the last in/first out method, is the most widely used method of RIFfing teachers. For seniority purposes, teachers are grouped according to categories, such as the grade level structure of the district: K-8 and 9-12 or K-6, 7-9 and 10-12. At the elementary level, specialty teachers, such as librarians and art teachers, may be separated from grade-level teachers. At the secondary level, teachers may be grouped according to subject matter specialty (e.g., English, math, social studies) and by area requiring special certification, such as special education.

Districts may count seniority from the date of hiring or the first day of work. In cases where two teachers have the same amount of teaching experience, preference is usually given to the one who has the most experience within the district undergoing the RIF. Policies may define what is considered "full time" and under what circumstances part-time work can count toward seniority. Some districts count interruptions for military service toward seniority.

The order of reductions in a seniority-based system generally follows this pattern:

- Attrition.
- Teachers without tenure.
- Teachers with the lowest amount of seniority.

In systems where merit, certification or other qualifications are used to determine layoffs, seniority often will serve as a tie-breaker to select between teachers otherwise judged equal. Some seniority rules contain exceptions. To illustrate: The head of the local teachers union may automatically place at the top of the list of persons to be retained, regardless of seniority.

Method No. 2: Merit Several state statutes permit a RIF based on merit. Missouri law, for example, says "permanent teachers shall be retained on the basis of merit within the field of specialization."

But merit systems are not without hazard to school districts. For one, teachers unions are likely to oppose the idea and may challenge a merit system in court. School law expert M. Chester Nolte of Denver, Colo., advises that any merit system must be able to prove that the standard used was objective, such as a standardized test for teachers. The means of deciding merit must look fair and equitable, he adds.

What is considered in a merit system? An Illinois district provides an example. It bases RIF decisions on data from regular teacher evaluations. The criteria considered in evaluation include: expertise in the classroom, contributions to extracurricular activities and to curriculum development, professional and ethical behavior and professional relationship with students and other professionals outside of the classroom. Teachers receive a single rating based on a composite of all these factors.

Using the evaluation data, district administrators rank order teachers — non-tenured ones first — into six categories: kindergarten, primary, intermediate (grades 4-6), elementary specialists by area, junior high (grades 7-8) by department and senior high (grades 9-12) by department. Non-tenured teachers are released on the basis of the lowest evaluation in each category.

If tenured teachers must be released, the district compiles a seniority list for teachers of K-6 and 7-12 (by department). Then, administrators develop rank order lists of teachers based on evaluations. At the elementary level, separate lists are compiled for each building; for secondary teachers, lists are compiled by department. At both levels, the teachers who fall into the lower two quartiles are placed on separate lists. Teachers are furloughed from those lists in order of seniority.

The district does not place the numerical scores assigned to teachers for RIF purposes in their permanent record file, nor are they disclosed to the teachers or anyone else. District policy makes clear that the scores are strictly for administrative purposes in a RIF or rehiring "and cast no negative reflection on the performance of teachers." The policy emphasizes that teachers who are subject to reduction "have given good service to the district and are being released only because of declining enrollment or resources."

The district allows tenured teachers to bump non-tenured teachers in a field where they have certification or can obtain it up to and including the last day of school. If two tenured teachers try to bump for the same position, the district reserves the right to hire the better qualified candidate, based on interviews. Recall is based first on qualification to teach in the area open, with teachers having the most seniority given the first chance.

Method No. 3: 'Mixed' An approach that may be gaining in popularity is to base RIFs on a combination of merit and seniority in a weighting that best meets local needs.

Some administrators believe that a properly designed point system is more defensible than anything other than a seniority system. As with merit systems, however, mixed systems heavily weighted toward performance probably will be fought by teachers unions.

A Pennsylvania district demonstrates how a mixed RIF system might work. Both probationary and tenured staff are rated by a numerical system. Temporary (non-tenured) employees are dismissed first, in order of lowest ratings.

The district bases ratings for professional employees on instructional skills, management ability, student reactions, professional attitude, personal characteristics and professional growth. Teachers rated unsatisfactory in an area may be given 0 to 5 points. If they need improvement, they may receive 6 to 10 points; if satisfactory, 11 to 15 points; if highly competent, 15 to 20 points.

District policy states that where there is a "substantial difference" (defined as more than 4 rating points) among those under consideration for a furlough, a formula incorporating both the numerical rating and a seniority factor will be used. To the numerical rating obtained on the rating form, the district adds .2 point for each year of experience within the district. The employee with the lowest total score (numerical rating plus experience factor) is furloughed first. If two or more professional employees hold equally low scores, furlough is determined by drawing lots. If there is no difference in numerical ratings, professional employees are retained on the basis of seniority rights acquired within the district.

Caution: One weakness of a point system is that scores can be skewed by a subjective evaluator. If a principal rates all teachers about equal, for example, this has the effect of making the other parts of a rating instrument — preparation and seniority — the deciding factors in staff reductions.

Method No. 4: 'Take-Your-Choice'

Some districts, in attempts to retain full control over RIF procedures, include only loosely defined criteria and procedures in their RIF policies. A Connecticut district, for example, says "the board shall consider the following criteria — not necessarily in priority order — to determine which staff members to lay off: academic certification, skill and ability, total experience in current position, recommendations of principals and administrative staff, total teaching experience in any district and additional course credits."

The main problem with this approach, according to experts, is that it may be more vulnerable to court challenge. Because the system is less explicit, a teachers union may successfully charge that it is arbitrary.

Other districts try to maintain some degree of flexibility and control by naming only one or two specific provisions.

A Virginia district, for example, says teachers on leaves of absence shall be eligible for furlough in a RIF.

A Vermont district, on the other hand, follows a policy that gives the board of education the right to terminate up to 20 percent of the total number to be laid off without regard to seniority. The board may consider factors other than seniority, including preparation, experience, performance, versatility, extracurricular capabilities, staff rapport, community relations, special skills and contributions, needs of the district and the community, and the teacher's health.

A third example of a "Take-Your-Choice" RIF method is provided by an Iowa district. It lays off teachers in this order: employees with nondegree status, employees "who have been on the same step of the salary schedule for two years" and fully certified employees in reverse order of seniority.

Mini-Guide to RIF Procedures

Evaluation

Implementing a RIF through a merit or combination merit-seniority system requires a good evaluation plan. Teachers will approach evaluation more positively if they have had a hand in designing the system used. Experts caution, however, that evaluation procedures should not be spelled out in collective bargaining agreements.

Teacher evaluations can perform a variety of functions. They can be used for teacher improvement, to justify the dismissal of incompetent teachers, to identify those to be released through a RIF or to determine progress on a salary schedule.

Experts caution districts against using the same evaluation procedure for both RIFs and for dismissal for incompetence. In fact, courts tend to look skeptically at dismissals for incompetence if the evaluation system is developed and implemented for the first time when a district needs to reduce staff.

Many school districts develop an evaluation system to improve teaching. If the system is tied to the teacher's job security, however, it can create anxieties that many administrators feel are counterproductive. Good teachers, under pressure, may do their worst teaching during an observation if they think their jobs are on the line.

Defining the purpose: Because of the many uses of evaluation, a district should determine and make clear the purpose of its evaluation system. Otherwise,

teachers and evaluators may approach the evaluation task with different expectations.

Using checklists and rating scales: George Redfern, an evaluation expert based in Arlington, Va., who serves as a consultant to school districts, advises against using checklists and rating scales in evaluation. The problem with these instruments, he says, is that objectives often are not well defined and what is considered a successful performance can vary considerably between the evaluator and the teacher. Instead, Redfern favors evaluations using performance criteria with indicators specified for each performance area.

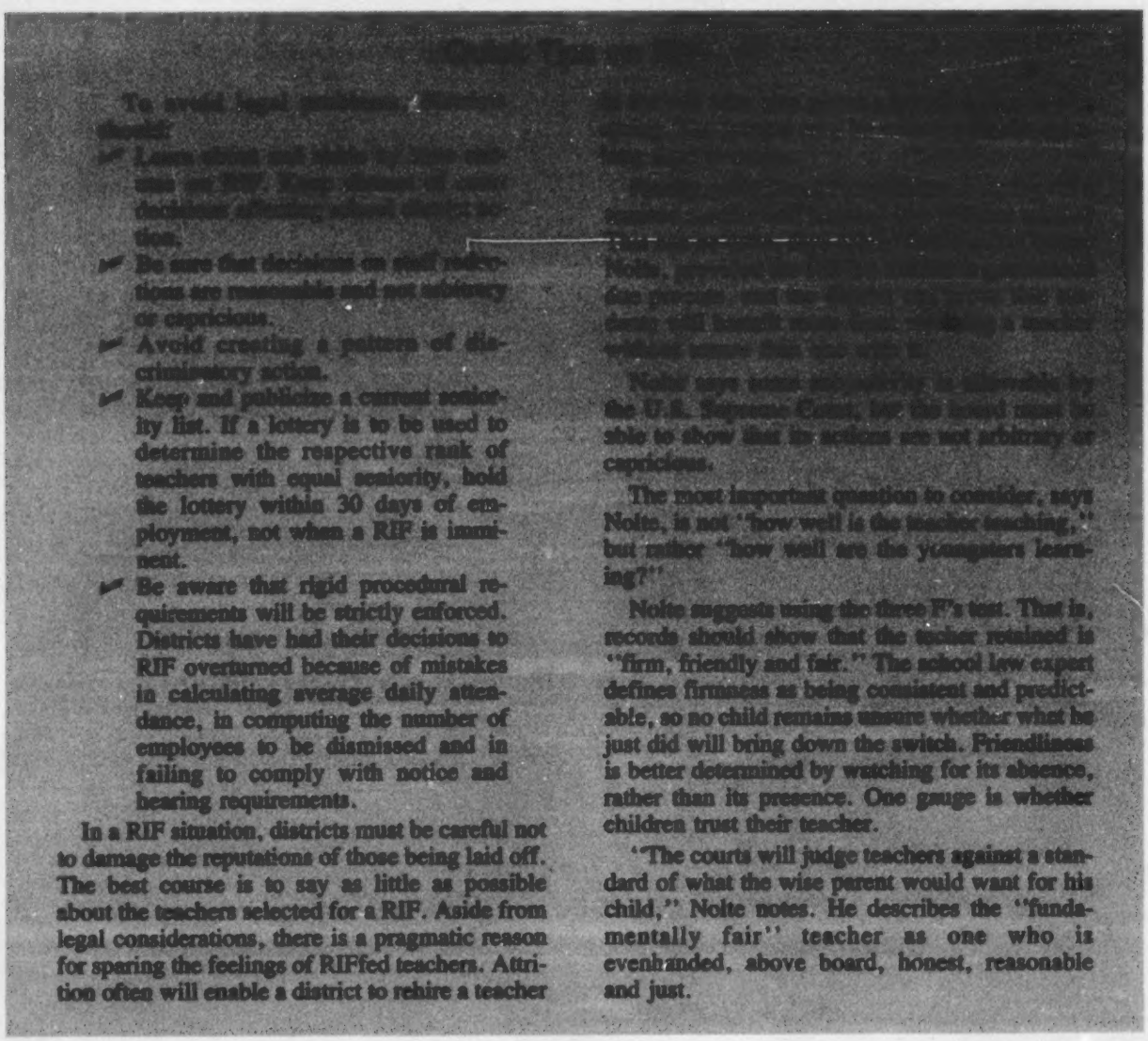
Unfair practices: The most significant unfair evaluation practices seem to be use of irrelevant criteria, entrusting evaluations to incompetent evaluators and making no provision for rebuttal by the person evaluated.

Bargaining on evaluation: Administrators and evaluation experts advise against bargaining on evaluation because it is a management function. Redfern recommends that districts with evaluation already in their contracts trade it for something else the unions want.

If a district is forced to bargain on evaluation, it should get legal help to define what is negotiable and what is not.

Due Process

Due process rights vary in different states, but generally much less is required when laying off teachers than when dismissing based on allegations of incom-



- Be aware that rigid procedural requirements will be strictly enforced. Districts have had their decisions to RIF overturned because of mistakes in calculating average daily attendance, in computing the number of employees to be dismissed and in failing to comply with notice and hearing requirements.

In a RIF situation, districts must be careful not to damage the reputations of those being laid off. The best course is to say as little as possible about the teachers selected for a RIF. Aside from legal considerations, there is a pragmatic reason for sparing the feelings of RIFfed teachers. Attrition often will enable a district to rehire a teacher

The most important question to consider, says Nolte, is not "how well is the teacher teaching," but rather "how well are the youngsters learning?"

Nolte suggests using the three F's test. That is, records should show that the teacher retained is "firm, friendly and fair." The school law expert defines firmness as being consistent and predictable, so no child remains unsure whether what he just did will bring down the switch. Friendliness is better determined by watching for its absence, rather than its presence. One gauge is whether children trust their teacher.

"The courts will judge teachers against a standard of what the wise parent would want for his child," Nolte notes. He describes the "fundamentally fair" teacher as one who is evenhanded, above board, honest, reasonable and just.

petence or personal or professional misconduct.

Due process rights for teachers being furloughed generally include:

- Notice of layoff, usually in letter form.
- Perhaps, a hearing, which can be done as a group for all teachers being laid off. The board's proof is simple: It has to show that it has a lessened enrollment or insufficient funds.

Due process rights for other types of dismissal are more extensive because a teacher's reputation is at stake. For this reason, school law expert Chester Nolte advises districts to note in board minutes that teachers being laid off are competent and that the layoff is the result of a RIF.

Recall Rights

After a district has determined how it will select the teachers to be laid off, the second most critical decision is to determine rights of recall. These rights include who may be called back, order of priority for job openings, procedures and the types of jobs for which the teachers are eligible.

Recall rights for tenured teachers may vary from one to three years. In most districts, recall provisions are good for one year, and the teacher must accept the first position offered or be removed from the recall list. Generally, the teacher must respond affirmatively to a job offer within one to two weeks.

Recall follows the order of layoffs in most school districts. In other words, the last to be laid off is the first rehired, provided the teacher meets the necessary qualifications. Some districts reserve the right to recall tenured teachers on the basis of conditions such as "professional background, training, the length of time in the school system and other relevant factors."

Some districts obligate themselves financially for the continued support of laid-off teachers. An Oregon district, for example, agreed to provide insurance benefits for 90 days for laid-off teachers who had less than three years' seniority. Laid-off teachers with more than three years' seniority are provided insurance benefits for 180 days. A Michigan district, on the other hand, agreed in a negotiated contract to allow RIFfed teachers to pay for and retain fringe benefits until such time as they found new employment or for a period of one calendar year from the date of layoff.

A small Iowa district agreed to place an employee who was RIFfed and then recalled one step higher on the salary schedule than at the time of the layoff.

Note: For more information on how to conduct a RIF or on dismissing staff members for reasons of incompetency, see **Staff Dismissal: Problems and Solutions**, an AASA Critical Issues Report (American Association of School Administrators, 1801 N. Moore St., Arlington, Va. 22209; Stock No. 021-00512; single copy, $9.95 prepaid).

Helping Laid Off Teachers

No school district enjoys laying off teachers, particularly those who have given many years of loyal and effective service. To ease the pain — for both teachers and administrators — some districts are trying different ways to find new jobs for teachers. Among the approaches being used are retraining and "new careers" seminars.

Districts should be aware that potential problems can arise when they attempt to help laid-off teachers. Some examples follow:

The Salt Lake City (Utah) School District has worked with neighboring school districts that are growing and need new teachers. Many of the teachers laid off in Salt Lake have been younger teachers who are highly qualified, said Supt. Donald Thomas. The district works with neighboring districts as a consortium whereby the growing districts agree to interview those being terminated by districts losing enrollment.

While this approach is both appealing and logical, it has some hazards. Teachers unions in some parts of the country are beginning to press for regional and state-level agreements which would bind all neighboring school districts to a single set of conditions.

Such agreements often contain a hiring swap clause that obligates growing districts to give first preference to laid-off teachers. If the district making the RIF includes merit factors in the selection of teachers, those who are laid off may not be the most desirable teachers.

In areas where large numbers of teachers have been laid off, those from the RIF employment pool are likely to be highly experienced and thus high salaried. If required to hire them rather than young teachers just out of college, a growing district could experience financial hardship.

Some observers also note that regional and state level agreements could create closed sys-

tems in which no "new blood" could enter.

Another drawback to voluntary cooperation is that it could create a precedent for regional bargaining agreements. Teachers unions are pressing for state legislation requiring regional bargaining, noted Richard Higginbotham, director of personnel of the Waterford (Mich.) Public Schools. If school districts are already cooperating on reemploying laid-off teachers, he noted, they will be arguing their case from a weakened position.

One suggested solution: Make clear at the outset that hiring laid-off teachers is voluntary at the discretion of the growing district. Such provisions should be made part of district policy.

Other Options

The Salt Lake City School District has tried several other options to reduce the number of teachers laid off, including the retraining of secondary teachers as elementary teachers, using surplus teachers as "permanent substitutes" and encouraging staff to apply for grants.

Retraining secondary teachers: Turnover is greatest in the Salt Lake schools at the elementary level. Consequently, secondary teachers are more likely to be laid off.

The district made an agreement with the University of Utah to prepare secondary teachers to be certified by the state to teach elementary school. Each teacher completed about 20 hours of course work plus some time observing elementary classes. Participation was voluntary, and the tuition was paid by the district.

The program worked "moderately well," said George Brooks, the district personnel director, in an interview for this report. Some teachers were not as effective at the elementary level as they thought they would be, so they returned to secondary schools as soon as openings occurred.

Brooks advised that such an offer probably should be made only once. All those who are interested will probably take advantage of it the first time it is offered. He gave these additional tips on retraining teachers:

1. Districts may want to put a limit on the number of training slots. Otherwise, more teachers may be trained than there are openings, and the tuition may be more than the district wants to spend.
2. Districts may want to set up a screening process to avoid retraining teachers who will not succeed at the elementary level.

Permanent substitutes: Instead of sending out many layoff notices in the spring, the district tries to absorb surplus teachers in the fall through vacancies opened by attrition. Those who are still surplus become permanent substitutes. As the year progresses, the substitutes are hired to fill openings. This route does not save money, Brooks said frankly. "In fact, it's really expensive." The permanent substitutes are paid at their regular daily rate, which amounts to $60 to $70 per day. Regular substitutes are paid $30 to $35 per day.

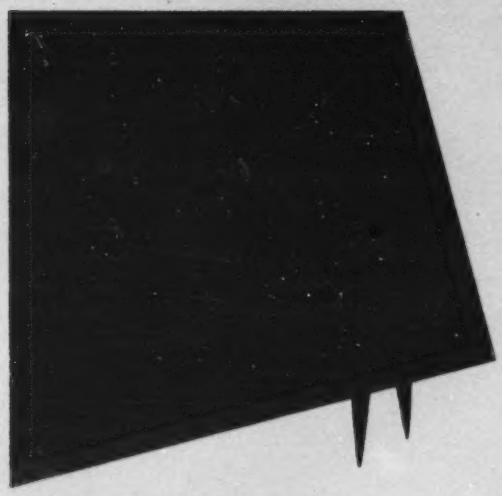
The district selected this route because it found the routine of laying off staff in the spring and rehiring in the fall too traumatic.

Note: The permanent substitutes are used first as substitutes. If no substitutes are needed, they can be used for curriculum development or as aides and counselors.

Caution: Brooks said Salt Lake has a "somewhat predictable" rate of declining enrollment and staff attrition. Therefore, it has been able to rehire all of the substitutes during the year. He does not advise the use of the permanent substitute program for districts with large enrollment declines or unpredictable attrition rates.

Grantsmanship: Employees in Salt Lake City are encouraged to apply for grants from the federal government and from private foundations. The funds can be used to improve the education program while providing jobs for those who might otherwise be laid off.

Caution: The time spent in trying to obtain grants may detract from the staff member's regular duties.



Chapter V

Collective Bargaining

Although "collective bargaining" is not a heading found in school budgets, the negotiating process can have a hefty impact on district finances.

In the **Critical Issues Survey** for this report, "increases in staff salaries" ranked as the No. 1 cause of budget woes in every region of the country. Increases in fringe benefits ranked fifth out of 13 possible responses. And for good reason. Salaries and fringe benefits comprise anywhere from 60 to 85 percent of the school district budget. In a large district a salary increase of 1 percent can amount to hundreds of thousands of dollars.

Salaries and fringe benefits represent only part of the cost of collective bargaining. Increasingly, teachers are demanding a voice in management areas, such as the size of classes. Such provisions, when agreed to, may limit management's flexibility to deal with current problems, such as declining enrollment. They can cause districts, for example, to retain more teachers than they can afford.

Professional negotiators consulted for this report repeatedly emphasized that it is less expensive and less traumatic to avoid contract provisions that are not in the district's interest than it is to settle quickly and hope to "clean up" contract language in later years.

In the interest of helping districts save money, this chapter deals only with cost-related aspects of negotiations. Some of the tips may seem "hard nosed" to districts that have not engaged in collective bargaining or that have experienced few adverse effects. Readers may want to disregard those tips that are currently inappropriate. Nationwide, the trend has been toward increasing militancy on the part of teachers unions and a steady push to include policy areas in bargained contracts. The strategy that seems too harsh this year may be appropriate later.

Selecting a Chief Negotiator

Opinions vary on who should lead a district bargaining team. Some contend that the superintendent should lead the team in order to retain control of the process. At the opposite extreme is the view that the superintendent should not even be present because negotiations can produce hard feelings harmful to future staff relations. The middle ground contends that the superintendent should be a part of the team, but not the chief negotiator. In this position, the superintendent can be a valuable resource person without getting involved in the adversary aspects of negotiations. The main disadvantage of involving the superintendent is that negotiating is very time-consuming.

School districts must consider local circumstances in deciding who is best qualified to lead the negotiating team. In small districts, the superintendent may be the only administrator available. In some districts, a board member may have experience that makes him or her uniquely qualified to be the team leader.

Researchers from the Rand Corporation analyzed more than 100 collective bargaining agreements from districts of more than 12,000 students. They found that, over time, the responsibility for collective bargaining in those districts shifted from the district's elected board members to a full-time staff member trained in negotiations. In the Rand study, negotiations in most districts were conducted by a director of personnel who often was also an associate or assistant superintendent.

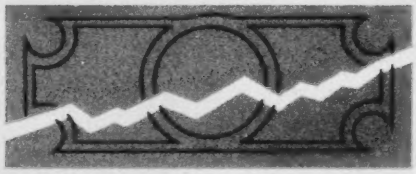
One advantage of using a staff member as negotiator is continuity from year to year. The staff negotiator — whether superintendent or a lower level administrator — is aware of the past history of negotiations in the district and some of the subtleties of issues that may elude the outside negotiator.

One problem: Generally, only large districts can afford a staff member who spends full time on negotiations and administration of the contract, including grievances, said Brian Braun, an attorney who specializes in negotiations for the Illinois Association of School Boards (IASB). Even when a district can afford such a negotiator, that person may be insulated from trends in other districts, said Braun in an interview for this report. The negotiator may try to compensate by meeting with counterparts in neighboring districts, he said. While this has some advantages, it also can lead to "regionwide mistakes," Braun cautioned.

In a small district, a consulting fee for a negotiator "can stick out like a sore thumb." But, Braun noted, the district can rightfully argue that it is money well spent. Braun said, for example, that IASB negotiators save districts money less in obvious areas, such as salaries, than in contract language. A lawsuit over one clause can cost $20,000 to $30,000, including appeals.

IASB provides professional negotiators to school districts on a direct fee basis. Charges vary according to the size of the district, from a low of $2,500 for a district of 250 pupils to a high of $10,000 for a district of 20,000 pupils (1979 quotations). IASB typically negotiates a multi-year contract for a district, and the fee is spread over that number of years.

The Michigan Association of School Boards, one of the first to provide negotiations services, assists 125 Michigan school districts. In an interview for this report, Harry Bishop, assistant executive director, said the bulk of districts helped by the state association have fewer than 7,000 students. "Districts above that size have employee groups large enough and enough unions to make it worthwhile to have a full-time negotiator on staff." There are exceptions. Bishop cited one district of 4,000 students that has its own in-house negotiator. Why? The district must deal with seven unions.



Salaries

Most school districts start bargaining with teachers for salary increases with a mechanism already in place that provides automatic raises: the salary schedule. On top of these incremental increases, teachers bargain for cost-of-living raises.

While there may have been justification for salary schedules in the past, hard-nosed negotiators say many of the reasons are no longer valid. One example they use: Salary schedules reward teachers for staying with the system. In a time of declining enrollment, however, the problem is lack of turnover, rather than rapid turnover. In a time of expanding enrollment, teachers rightfully argued that the number of new, young teachers on the schedule would balance out the higher-paid teachers. This also is no longer true, some negotiators point out. Another factor: female teachers no longer leave the workforce when they have children. This reduces turnover even further.

Perhaps the biggest drawback to the salary schedule is that it continues forever. Paul Hetland, a St. Paul, Minn., attorney/negotiator, called salary schedules "promissory notes for the future that in many districts cannot be paid."

Districts probably will not be able to abandon salary schedules because of the lack of alternatives that are acceptable to employers and employees. Another reason: Collective bargaining tends to preserve the status quo.

The solution, perhaps, is to modify schedules in ways that will make them less costly to school districts.

Hetland suggested these modifications:

- **Equivalency lanes.** Some districts have lanes on the salary schedule that allow the same pay for a person holding a B.A. plus 60 credits as for a person holding an M.A. degree. Hetland called this the lane for "M.A. failures — for people who did not make the M.A.," but who continue to accumulate credits. "If you don't have equivalency lanes," he advised, "set a high priority on not getting them — even if it presently appears you can afford to do so."

- **Movement on the schedule.** Tighten requirements for movement on the schedule. Instead of accepting credits for any subject, districts should count only those that relate to what the teacher is teaching.

- **Undergraduate credits.** "Why pay for them?" Hetland asked.

- **Credits from accredited institutions.** Make sure credits come from accredited institutions. "Districts are paying for credits from institutions no one ever heard of." He also cautioned against granting "TV credits and credits for going to Howard Johnson's for the weekend." Districts may want to pay for some worthwhile, but offbeat courses, but they should be limited to special cases where the superintendent announces in ad-

Quick Tips on Bargaining

Experts offer a variety of tips to help strengthen the school administration's position at the bargaining table:

- Be careful of contract language. Don't agree to anything hurriedly. Any terms should be analyzed for future implications. Remember that any provision that must later be arbitrated will be thoroughly taken apart.

- Determine the cost of all fringe benefits. Sick leave, workers compensation and insurance all represent a dollar cost to the district.

- Offer a fixed dollar package for salaries and fringe benefits. Begin negotiations with the assumption that the pie is limited.

- Prepare a chart showing teacher salaries now and 10 years ago and teacher duties now and then.

- Analyze the effect salaries have on fringe benefits. A district that gives 10 days' sick leave one year, 11 days the next and 12 days the next should be aware that the cost of those sick days are compounded by teacher salary increases. The compounding effect will show up in overtime, holiday pay and incremental increases that employees receive.

- Look at fringe benefits in terms of value to the employees. Some items, such as tuition reimbursement, benefit few employees and may not be a worthwhile expense.

- Build cost saving incentives into the contract for costly items over which teachers have some control. In one Indiana district, for example, the negotiator told teachers they would get a certain percentage of money saved from unused sick leave. When figuring funds available for salary increases, the negotiator deducts the amount necessary for increases in hospitalization costs and the amount needed the previous year to cover sick leave. He tells the teachers more money will be available for raises if they help police sick leave.

- Assign one member of the bargaining team to do the costing. If several people do it, the result can be differing figures and paying more than necessary in the end.

- Get union representatives to cost out their proposals; if they refuse, don't talk with them until they do.

- Take your own calculator to the bargaining table; use a computer if one is available.

- Bargain on a cost-per-hour basis. That is, convert staff costs and fringe benefits to cost per hour. Be warned, however, that this is a red flag for teachers because they consider themselves "professionals."

- Negotiate layoff provisions (those not strictly based on seniority) in a "fat" budget year.

- Try to anticipate union demands and develop strategy in advance. The administration's response will be much better organized if it does not have to respond in a crisis atmosphere.

- Always try to give the other side something that can be construed as a victory. That way, the union team can sell the contract to teachers.

- Hold some bargaining chips until the end, so the board has room to compromise in a strike. Making a final offer too soon destroys the administration's credibility as it makes last-last and last-last-last offers.

General caution: Negotiations experts say they cannot prescribe what one district should do, based on what worked in another district. All ideas and suggestions regarding collective bargaining must be evaluated in terms of their applicability to local philosophy and conditions, federal and state laws, the district's financial status, what has happened in the past and policymakers' hopes for the future.

vance that credits will be given. "It is easy to get credits, and it is going to get even easier," Hetland cautioned.

- **Tuition reimbursement.** Some districts are still paying 50 percent or more of the cost of courses when teachers return to school. This amounts to paying twice: once through the salary schedule, the second time through reimbursement. Hetland noted that such policies were written at a time when many teachers did not have a bachelor's degree. The lesson here is to review policies frequently.

Here are additional tips from Hetland and other negotiators from around the country who attended an annual meeting of the National Association of Educational Negotiators:

1. Count increments as raises. "It is peculiar to the education industry," Hetland said, "that educators may get more money, but they don't call it a raise."
2. If a teacher at the top of the salary schedule retires and the district hires a new person at a lower rate, the district should get the difference. If the union gets the money, "you are allowing them to bargain the salary budget, not the salary schedule," Hetland said.
3. Include lane changes in figuring how much money the district is putting into salary increases.
4. Limit the number of lanes that can be jumped in one year.
5. Add a step for people at the top of the salary schedule. "It's the cheapest thing to do."
6. Try to build some logic into the schedule. "If you have to deal with an arbiter," one negotiator advised, "you should be able to show you are trying to use logic in differentiating between the pay for an entering person and those who are experienced."
7. Index any extra compensation for duties, such as drivers education, by tying it to the lowest step on the salary schedule. Another idea is to pay for such duties by a flat stipend that does not increase with negotiated increases in base pay.
8. Limit the number of teachers the district will pay for having a master's degree. This proposal would be difficult to negotiate, but the district might obtain it through a trade for something union negotiators want.

Case Study: Grafton, Mass.

The Grafton (Mass.) Public Schools, a district of 2,300 pupils southwest of Boston, saved approximately $500,000 in salaries in five years through a device the district calls the frozen salary schedule. Grafton teachers, moreover, are satisfied with the arrangement.

The savings come with teacher turnover. Teachers continuing with the system receive cost-of-living and step increments. New teachers hired as replacements, however, do not inherit cost-of-living increases granted in previous years.

The crucial difference: In one respect, the Grafton salary schedule differs little from those in other districts. Teachers receive increments for years with the district and for educational attainment. The crucial difference is that base salaries remain frozen, and increments are contained in the schedule as flat dollar amounts. Each year, the district and the teachers union negotiate an economic adjustment in addition to the step increments, *but the economic adjustment is not added to the schedule.*

A hypothetical example helps explain how the district saves money. Teacher A has a master's degree and five years' experience. The base salary is $9,199. When years of teaching experience are added, the teacher ends up at step six on the schedule — or a 1978-79 salary of $11,393 (the base salary plus the increments through step six). In the previous three years, the economic adjustment for teacher A amounted to $500 per year in addition to the salary advancement on the schedule. Under a traditional system, the $1,500 would have been added into the schedule, bringing the salary for a master's degree plus five years' experience to $12,893.

Teacher A leaves the district, and teacher B is hired as a replacement. Teacher B also has a master's degree and five years' experience, but teacher B will be paid $11,393 — the same salary without the economic increments.

In an interview for this report, Supt. Kenneth Grew explained the district's philosophy. He maintained that it is neither legal nor proper for a teachers union to negotiate for people who are not staff members, in other words, those who will be employed in future years by the district.

Grafton teachers have not lost ground economically; they continue to make as much or more than their counterparts, Grew said. The district ascertained that fact through a survey of comparable school systems.

In 1974, the first year of the frozen salary schedule, the district gave teachers "a little more money," the

Frozen Salary Schedule
Grafton Public Schools

Levels	Bachelor	B+15	Master B+30	M+15	CAGS* M+30 B+60	Dr. M+60 B+90
1	8509	8853	9199	9429	9716	10233
2	344	346	344	345	344	346
3	346	344	356	344	346	344
4	575	575	574	575	575	575
5	459	461	460	460	460	460
6	460	460	460	459	461	460
7	460	459	460	461	459	460
8	459	460	458	460	460	460
9	461	460	577	459	461	460
10	689	690	574	690	689	690
13	230	230	230	231	230	229
20	346	344	346	344	345	346
30	575	575	574	576	575	574

*Certificate of Advanced Graduate Study

superintendent said. Now, they like the system because they can see the benefit, he added.

Grafton teachers continue to endorse the idea, partially because of the way the district determines the annual economic adjustment. District administrators approach the bargaining table with a fixed dollar amount, taking into consideration base salaries, the increments teachers will receive for longevity and educational attainment, and a percentage for the economic adjustment.

To illustrate: the 1979-80 incremental increases amounted to about 2 percent of payroll, so the school committee (school board) offered a 5 percent economic adjustment to bring the total average salary increase to 7 percent.

When the frozen salary schedule was introduced, the district and the teachers union agreed to mutually determine how the economic adjustment would be distributed. Every year so far, they have agreed to apply it as an across-the-board percentage increase, based on each person's base salary. This equalizes raises because the lower-paid teachers receive incremental increases. For the higher paid teachers at the top of the salary schedule, the percentage increase produces more dollars, which offsets the lack of an increment.

Because the district offers a flat amount for the cost-of-living adjustment, each teacher gets more when it is divided among only those teachers who continue to stay with the district.

Districts should maintain control: Grew advises districts planning to adopt a frozen salary schedule to negotiate a clause in their contract that leaves the starting salary to board discretion — not the union's. Grafton has not raised the starting salary in five years, because it is in a buyer's market for teachers.

What has the union said about the starting salaries? Not much. Since any money allocated to new teachers reduces economic adjustment increases, the union has not pushed to increase the starting salary. A contract clause ensures, moreover, that the district will be able to raise the starting salary when necessary to continue to attract good teachers.

Grew also recommends a clause that enables the superintendent to determine on a case-by-case basis whether to credit all of a teacher's previous experience at the time of hiring. The clause says the district "will give due consideration to teaching experience." But it is not bound to start that person on the salary level commensurate with the experience. As a result, Grew has been able to hire highly qualified, experienced teachers for less money. The teachers are happy to get the jobs, he said, because they have been priced out of most districts.

By the same token, Grew may compensate a teacher fully for experience if competition is keen and the teacher qualifies for a hard-to-fill position. Grew also has authority in the contract to offer a recruitment bonus of up to $1,000 if needed to fill a position. In all three cases, the special consideration is at the time of hiring only. Once on the staff, the teacher progresses on the salary schedule and receives economic adjustments at the same rate as the rest of the staff.

Grew recommends the frozen salary schedule for all districts, because all will experience turnover eventually. In Grafton, the turnover rate is approximately 7 percent.

He also recommends negotiating a RIF clause that says teachers subject to recall will not be paid the economic adjustment for the year (or more) they are gone.

Grew describes traditional salary schedules as "rolling." Each year, step one disappears and a new, higher step appears on the top. By contrast, the Grafton schedule for a bachelor's degree has ranged from $8,509 (step one) to $12,762 (step 10) since the system was initiated in September 1974.

"With the traditional method, the starting salary for 1978-79 would have been $10,233, and four more steps would have been added to the schedule. Step 10 would be $1,800 higher," Grew explained. "We haven't increased the salary schedule, but staff members who stayed with the district increased their salaries by that amount because of the economic adjustments."

For more information, contact Kenneth J. Grew, Superintendent, Grafton Public Schools, 3 Central Square, Grafton, Mass. 01519.

Case Study: Flagstaff, Ariz.

Use of a salary schedule does not preclude a district from offering salary increases based on merit. In some districts, merit increases are in addition to an increment, and they can serve as a motivating tool for teachers at the top of the salary schedule. Other districts have developed good evaluation systems that can serve as a brake on the salary schedule.

The evaluation system used by the Flagstaff (Ariz.) Public Schools was constructed carefully over 18 months with the active participation of teachers. The system has three key components: observation, notification and due process.

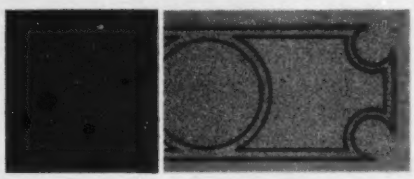
Teachers are observed three times for each evaluation. Nontenured teachers are evaluated twice each year. At least one observation must be made by the building principal, but the principal may delegate other observations to supervisors, department heads or other teachers. The teacher being evaluated may request an observation by someone other than the principal.

Teachers must be notified early in the year if, based on their evaluation, their increment may be withheld. Once a recommendation has been made to withhold the increment, the teacher is entitled to request another observation or a hearing. At any rate, teachers are given time to improve and are then reevaluated. If they improve — and that is the purpose of the system — they receive their increment.

The Flagstaff salary schedule is based on education and experience. However, the evaluation policy provides that teachers with unsatisfactory evaluations will not get their increments. Most teachers can be convinced that the system is fair, Supt. David Williams said. "If you have a good evaluation system and teachers get an unsatisfactory evaluation, it's pretty hard for them to argue against withholding increments." He said three factors are necessary to win teacher acceptance:

- A good evaluation system (one that teachers themselves help to establish).
- Strong administrators (able to do the evaluation).
- Due process procedures.

Of Flagstaff's 485 teachers, only five to six each year are not recommended for raises. Although the system is not a tremendous money saver, it demonstrates to parents and taxpayers that the district is interested in accountability and improving instruction.



Fringe Benefits

One cost accounting for increases in running schools is an explosion in fringe benefits for school employees.

Experts place the cost of fringe benefits in the private sector at up to 37 percent of payroll. No national figures are available on fringe benefits paid to public employees, but William Wilken of the National Conference of State Legislatures estimated in an interview for this report that fringe benefits paid to teachers have easily doubled in the last decade.

Wilken cautioned, however, that making generalizations on the issue of fringe benefits is dangerous

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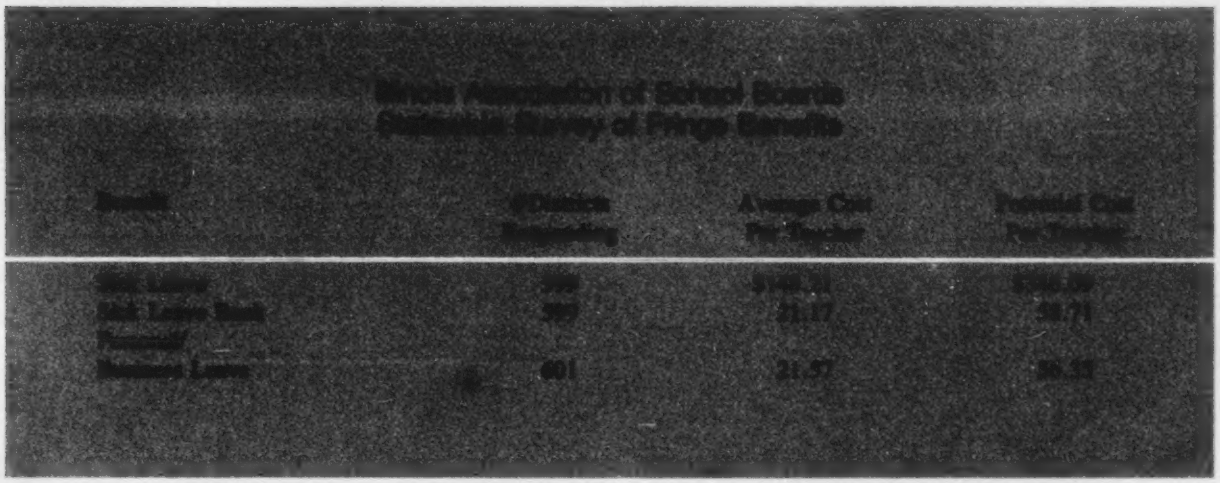

because of the great variance in difference states. "Fringe benefits are virtually nonexistent in Texas and Oklahoma, while in New York, it's not uncommon to find school districts where fringes amount to 35 percent of salaries."

The Illinois Association of School Boards (IASB) conducted a statewide study of school district fringe benefits. Approximately two-thirds of the state's 1,000 districts responded. They reported spending an average of $3,132 to $3,386 per teacher for fringe benefits, or approximately 25 percent of the average Illinois teacher salary of $13,305.

Virtually all districts (99.8 percent) said they offered sick leave. Other frequently offered benefits were hospital/medical insurance, offered by 92.8 percent; personal business leave, 92 percent; workers compensation, 87.8 percent; convention leave, 76.8 percent; and life insurance, 65.1 percent.

The most expensive fringe benefit paid by the responding districts was teacher retirement. The school district's share averaged $572 per teacher per year. The next highest cost was hospital medical insurance at an average $278 for individuals and an additional $197 for families. Sick leave cost responding districts $148 per teacher.

IASB constructed a table showing both the actual and potential costs of each fringe benefit to the responding district. For some benefits, such as insurance premiums, the two figures are the same. In the case of leaves, however, the actual cost reflects the average district's experience, while potential costs reflect the highest possible cost if all teachers use all the leave they are allotted.

The chart reveals the high potential cost of sick leave. While districts paid an average of $148.21, their potential cost was more than twice that, $346.09.

Important to note: Districts have different experiences with the use of leave. Urban teachers generally use more of their sick leave allotment than do their suburban counterparts, noted William Wilken. Districts must compare actual versus budgeted costs. Two districts, side by side, may both budget for 10 days' sick leave per teacher, but the urban district may pay for many more substitutes.

Case Study: Wilmette, Ill.

The Wilmette (Ill.) Public Schools, a 3,000-pupil district north of Chicago, develops the actual costs of all aspects of employment and uses the figures in negotiations. Included in the list are premiums for workers compensation insurance, liability and long-term disability insurance and unemployment tax. Sick leave is determined two ways: the cost of substitute time to replace a sick teacher and the proportion of the teacher's salary which represents work not received by the district. Similar costs are figured for funeral and personal leave.

E. David Allen, assistant superintendent for business services, computed the cost of fringe benefits for a teacher, a secretary and the head custodian. The fringe benefits represented 26 percent of the eight-year teacher's salary, 50 percent of the 10-year secretary's salary and 53 percent of the 19-year head custodian's salary.

Wilmette bargains with its employee groups on the basis of a total dollar package representing salaries and fringe benefits. If employees want to increase their sick leave, management must determine the exact dollar cost and deduct that from the amount available for salaries, said Allen, in an interview for this report. To

determine the cost for one additional day of sick leave, for example, Allen multiplies the number of teachers by the daily rate for substitutes. The district must pay workers compensation and unemployment compensation for substitutes, so that percentage rate is also figured into the total.

When computing fringe benefits as a percent of salary, Allen counts the state's contribution to teacher retirement. This amount, he said, represents money the district could otherwise receive in state aid. It, like local district money, comes from taxpayers, he added.

By keeping a thorough accounting of all costs, the district also can use these figures in announcing contract settlements to citizens. Allen is careful to use the phrase, "total compensation," rather than salary settlements, when discussing employee contracts.

The unions balked at first at counting such things as workers compensation in the benefit package, Allen said. But the district persisted and after six to eight years, the unions began drafting their proposals in the same language. On the other hand, the district conceded the unions' point that any savings from staff turnover should be included in the dollar package.

Allen characterized the district's relationship with its unions as one of integrity, reliability and good communications. The payoff? In 1979, the district completed two 2-year settlements with only 48 hours of negotiations.

Considerations and Tips

When talk around the bargaining table turns to fringe benefits, what should administrators consider? Ronald Booth of the Illinois Association of School Boards suggests these four criteria:

1. **Feasibility.** Is the dollar value to the employee equal to or greater than the dollar spent by the school district? If only one-half of the employees need it, the benefit's worth is only 50 cents. Booth says the average hospital medical plan is worth about 70 cents. Another point: the dollar value of a fringe benefit may increase if it would cost the employee more to buy it individually rather than at group rates.

2. **Salability.** This is a political consideration. The question to ask is, "Does everyone have access to the benefit?" If the item benefits relatively few people, it is of less value to the union and to teachers generally. An example would be sabbatical leave or tuition reimbursement. The latter, according to Booth, is being used less by employees, probably because of the increasing age of teachers.

3. **Negotiability.** Here, the employer should be concerned about present and future negotiability of the item. If the benefit has a built-in escalator, it's a "poor" investment for the employer to make. Booth advises: "Don't agree to a percentage increase in any clause — a dollar amount is better."

4. **Predictability.** This is the most difficult criterion, because the district tries to predict what a benefit will cost in the future. If, for example, the district is considering a severance pay policy, what will this policy cost the district in later years? By applying this criterion, districts may be able to head off disaster. Booth cautions: "Unused, accumulated sick leave can eat you alive."

Experienced negotiators offer these additional cautions about negotiating fringe benefits:

Caution #1: Fringe Vs. Salary Beware of the psychological implications of trading a fringe benefit for a salary increase. Districts rarely get credit for the full value of fringes they grant employees because their value is not as visible as salaries. To illustrate: Two districts may spend the same amount on employees, but the first district puts proportionately more into salaries, while the second has a more generous fringe benefit package. If the fringe benefits of both districts are not tagged with dollar amounts, teachers in the district with good fringe benefits will argue they are falling behind because they will see that their neighbors have higher salaries.

Caution #2: Long-Term Cost Look at the long-term as well as the short-term costs of a fringe benefit. Teachers may lobby to have the district pay their retirement costs in lieu of a raise. This is even more likely with fears of possible wage and price controls and pressure from taxpayers to hold down government spending. If the retirement payment is 8 percent of a $10,000 annual salary, the employee is, in effect, receiving an $800 after-taxes increase.

Since the increase does not become part of the salary schedule, it is long forgotten by the time negotiations roll around again. What the teachers will remember, according to David Allen, assistant superintendent in Wilmette, Ill., is that their salaries did not rise, nor did they receive compensation in another form.

Consumer Price Index

Districts and teachers unions have been using the Consumer Price Index (CPI) as a matter of course in determining salary increases. Published by the Bureau of Labor Statistics, the index appears to present a concrete indicator of the increasing cost of living.

The index, however, measures month-to-month changes in prices, which is not the same as the cost of living. Another drawback is that the index is an average of price changes. As such, it mixes and balances increases in some areas with decreases in others. The items teachers buy may actually be decreasing while the overall CPI is increasing.

Taking figures from the CPI and assuming they will affect all consumers equally is hazardous. An increase of 10 percent in farm prices, for example, does not translate into a 10 percent increase in the cost of living for teachers. Teachers may spend only 15 percent of their income on food, so the 10 percent increase in food amounts to only about a 1.5 percent increase in overall living costs.

Another point that specifically affects bargaining: The CPI contains some items that are paid by the school district, rather than teachers. One of the fastest rising costs over the past decade has been medical care. Districts offering comprehensive medical coverage for teachers are paying for this increase twice if they use the CPI: once through an increase in salary and once through an increase in fringe benefits.

Teacher Compensation and Fringe Benefits, a handbook on collective bargaining prepared by the staffs of the Illinois and Arizona School Boards Associations, lists these pitfalls in using CPI in salary negotiations:

1. The CPI is not an accurate measure of actual buyer habits. When prices of certain products increase, the buyer may substitute something else. For example, when lettuce prices rise, some purchasers may switch to fresh fruit or other greens for salads. The CPI, because it must measure change over time of a stable "market basket" of items, does not take substitutions into consideration.
2. The CPI is heavily weighted toward urban consumers. Urban price changes may have no bearing on the cost of living in a rural area. While changes in food prices might be reflected in rural areas near cities, the cost of public transportation would have no such correlation.
3. The CPI does not include some significant consumer expenses, notably the property tax. Other items not included are those grown or made at home.
4. The CPI market basket contains a mix of luxury and necessity items. The average area price increases make no attempt to measure the relative effect those increases will have on consumers with different incomes. Increases in the price of necessities have a greater impact on low-income than on high-income families.

The CPI can cause public relations problems for school districts, the booklet points out, because the general public does not understand salary schedules. A district and the union may be at loggerheads, for example, when both claim to support a 7 percent wage increase. In fact, however, the union wants 7 percent *in addition to* incremental increases, while the district is offering 7 percent *including* the increments.

Another drawback to using the CPI is that districts are caught in an "up-only" trap. *Teacher Compensation and Fringe Benefits* points out that most cost-of-living clauses provide only for wage *increases* tied to the CPI. If prices go down, wages stay the same. In fact, some states make it illegal to lower salaries. "In this context," the handbook concludes, "CPI provides management with all of the risks and labor with all of the gains."

That view of the CPI is not universal: One negotiator attending an annual conference of the National Association of Educational Negotiators commented that the CPI "at least put some discipline in the salary schedule."

Still another problem with using the CPI is that wage increases are based on a percentage of salary, rather than a flat dollar amount. Negotiators warn that such increases are compounded over time, doubling salaries in a few years. "We should be aware," said one negotiator, "that there's a lot of sympathy among blue collar workers for not having a percentage increase across the board for all persons, no matter what their base salary."

Districts may be able to make the CPI work for them, some experts advise. The Illinois/Arizona handbook says, for example, that wages constantly increase while inflation rates are cyclical. By looking at wage increases and inflation rates over time, districts may be able to show teachers that wage increases in periods of low inflation more than compensate for recent losses in buying power.

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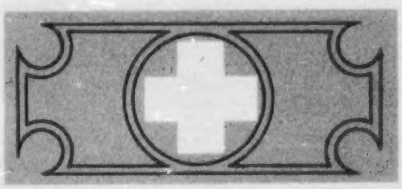
In addition to looking ahead to the fringe benefit's effect in future years, Allen advises evaluating each benefit in terms of (1) whether the district can afford it and (2) whether the overall settlement is equitable for the local market.

Caution #3: Policy Infringement Be aware of the possible implications fringe benefits have on policy matters. AASA employment relations consultant Myron Lieberman points out that concessions on certain fringe benefits can weaken board autonomy over district policy. Writing in the *American School Board Journal*, Lieberman gives this example: Paying teachers for evening meetings is not just a compensation issue. Instead, it is a school-community relations issue because teachers must be available to parents who cannot meet during the regular school day. School boards should examine new proposed fringe benefits to determine if they will weaken board control in policy matters.

Caution #4: Fringes Can Spread Avoid substantial benefits that affect only a few employees. Why? They may have to be expanded to everyone else, negotiators warn. An example: A district may grant high school teachers a preparation period. Soon, junior high and elementary teachers want equal treatment. "What may have begun as a concession to high school English teachers who had too many essays to read, ends up as a systemwide benefit," Lieberman cautioned.



Health Insurance

An overwhelming majority of respondents to the **Critical Issues Survey** for this report who cited fringe benefits as a pressing financial problem pinpointed health insurance as their key problem. No wonder. The cost of hospitalization has risen much faster than the overall cost of living in recent years.In addition, employees are pressing for expanded coverage to pay for dental and optical expenses and for prescription drugs.

How can districts put the lid on costs? Experts consulted for this report offered a number of suggestions:

✔ Put a dollar ceiling on the amount the district will pay. Contract language could call for a dollar amount for health insurance, rather than a type of coverage.

✔ Set a limit with a provision that employees will pay increases by payroll deduction.

✔ Contract for group-rate coverage with employees footing the bill. This may be hard to sell in a district that is currently paying the costs. It might be won as a tradeoff for something else the union wants.

Caution: One insurance expert advised that some companies have underwriting rules requiring *district* payment of health insurance premiums. John Sorrell, former account executive with the Martin E. Segal consulting firm, Denver, explained in an interview that if employees pay for the coverage at their option, "adverse selection" can result. In other words, only the poorest health risks may sign up for the program.

✔ Check the next best coverage. When preparing for negotiations, the district could ask the insurance carrier to prepare two cost estimates: the increased cost of the current coverage for the coming year and the cost of the next best kind of coverage.

✔ Seek bids rather than negotiate with a single carrier. Sorrell noted that the competition of bidding makes the district's current carrier "sharpen its pencil." The result can be lowered costs or more service for the same cost.

Caution: When seeking bids, be specific. Otherwise, the bids may offer such varied packages of services that they are not comparable. An insurance consultant or broker can help the district determine specifications and select the companies to submit bids. The outside expert is possibly in a better position to know which companies have good service records and stable finances.

In the bid specification, tell the carrier to eliminate the commission. A consultant usually works on a fee basis, a broker on commission. If the district is using a consultant, there is no need to pay an insurance agent or broker a commission. A considerable savings can result on a large policy.

✔ Consider cost-sharing or co-insurance. With this type of policy, the health plan covers a proportional amount of medical costs — usually 80 percent — and the employee pays the remaining cost. The plan often has a cash deductible that must be paid by the employee before the 80-20 formula comes into play.

✔ Use deductibles. Even without a cost-sharing plan, use of deductibles will lower health insurance premiums. The West Bend, Wis., school board has been able to convince its teachers to accept deductibles by arguing that money saved on health insurance can be used on programs, said William Holmquist, board president.

✔ Get more from the same policy. While not actually a way to cut costs, improved health coverage may help the district win concessions in another area. Administrators need to find out if the benefits offered are what employees want and if the benefits are worth the cost.

✔ Consider self-insurance or self-funding. Many districts have adopted this idea and applied it to health and other types of insurance. Basically, a district sets aside a reserve to cover expected costs instead of paying a premium to an insurance company. In this way, the district is assuming the risk.

Under one self-funding method, districts reserve and contract with a third party to administer the program. This option, called an Administrative Services Only (ASO) contract, is available from many insurance companies and from private firms known as third-party professional claims administrators. An ASO contract can serve a single district or a pool of districts that decide to self-fund as a group.

John Sorrell counseled that third-party administrators are likely to give better claims service on such contracts than insurance companies. Why? "They are out to please the client, and service is all they provide," he explained. Insurance companies, on the other hand, are set up to make a profit and are likely to "scrutinize every claim, sometimes to the detriment of the participant." Sorrell added that insurance companies are likely to have higher administrative costs.

What districts are candidates for self-insurance? Districts or groups of districts of at least 500 employees provide a "good base for spreading the risks" for health or dental insurance, Sorrell said. Life insurance, he advised, should not be self-funded for groups of fewer than 5,000 employees.

In most self-insurance, the district maintains a fund up to a certain amount and obtains a "stop-loss" policy to cover claims it could not afford. For example, a district may self-fund health insurance up to $50,000 and buy stop-loss insurance that would begin paying claims after $60,000 had been spent. The district would structure its premiums to cover the $50,000 and keep $10,000 in reserve.

✔ Investigate cost-plus insurance. Not all districts can self-insure. Wisconsin law, for example, does not permit districts to establish reserves for the purpose of self-insurance. However, the West Bend (Wis.) School District has been able to save approximately $90,000 over three years through a device called cost-plus insurance. Board President William Holmquist explained that cost-plus insurance is coverage based on the claims experience in the district for the previous year. Normally, a company will base its premiums on actuarial figures for a region or a group of districts. If a district has good claims experience on health insurance, it could come out ahead by bidding cost-plus.

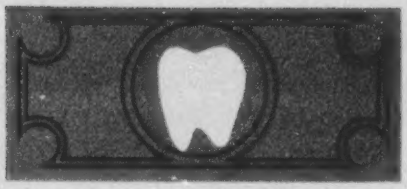
Cost-plus assumes that claims will be low; consequently, a district needs added protection in case claims are higher than anticipated. West Bend carries stop-loss insurance with the same company that handles its main policy. Initially, the district carried enough stop-loss insurance to cover claims up to 25 percent over its annual liability total. That was higher than necessary, experience showed. Now the district covers 10 percent over the liability total. The stop-loss paid off in 1978-79, saving the district about $8,000.

Important to note: Cost-plus probably works best in growing districts experiencing turnover, because younger employees are generally better health risks. Holmquist advised that cost-plus is probably not for the district in which the average age of teachers is going up consistently and where the trend is to more family and less single coverage. To determine whether cost-plus is advantageous, a district need only ask each carrier for two quotes: one based on a premium and one on cost-plus.

When asking for bids on a premium basis, West Bend asks for charges for single coverage and family coverage. With this information, the district can determine the ultimate difference in liability.

When obtaining quotes on cost plus, the district asks: (1) What is the maximum liability (when does stop-loss begin)? and (2) What are the administration and service charges?

✔ Encourage employee health. By offering preventative health programs, school districts hopefully will gain healthier employees and, at the same time, reduce health care costs. Some districts are doing this by sponsoring stop-smoking and weight loss clinics and developing programs to combat alcoholism. Another venture along the same path: The 80,000-pupil Albuquerque (N.Mex.) Public School District is attempting to head off future expenses by requiring complete pre-employment physicals for all new employees.



Dental Insurance

Coverage of dental expenses is a collective bargaining demand in a growing number of districts. The coverage can be an extension of the district health insurance coverage or a separate policy.

Dental insurance is available through commercial insurance companies, Blue Cross/Blue Shield and some Health Maintenance Organizations (HMOs). Another option is the dental service corporation, which offers Delta plans. The *American School Board Journal* defined the corporations as nonprofit organizations sponsored by state dental associations to market and administer dental insurance plans. They exist in 47 states. For more information, write Delta Dental Plans Association, 211 E. Chicago Ave., Chicago, Ill. 60611.

Some insurance is offered by "closed panels" or groups of dentists who band together to provide services in exchange for a premium paid by the employer. The school district can self-insure dental coverage by establishing a trust and contracting for service with an HMO, a closed panel or individual dentists.

The largest number of dental plans — 58 percent, according to *American School Board Journal* — are written by commercial insurance companies. The American Dental Association recommends these companies: Aetna, Metropolitan, Equitable, Prudential, John Hancock and Connecticut General. A district could get quotes from several companies and compare them with a bid from the carrier who handles its health or life insurance policies.

Caution: Look carefully at the benefits, not just the cost of dental insurance. Some dental plans "really don't pay anything," said John Sorrell. "It's better not to have a plan at all than to have a bad plan because it causes morale problems." The issue could backfire on both the district and the union. The district would have to upgrade coverage in future years and pay much more than it — literally — bargained for. And teachers' reaction to their union could be: "Why did you agree to this worthless 'benefit'?"

Sorrell advises districts never to buy a dental plan that pays less than 50 percent of all costs. The type of plan he typically negotiated for school districts paid for 80 percent of basic services, such as X-rays, teeth cleaning and fillings, and 50 percent of major services, such as dentures, gum treatments, braces and root canals. Such plans pay an average 75 percent of dental bills, he said.

To save on this fringe benefit, consider including some of the following conditions in dental insurance plans:

- A maximum annual limit that the policy will pay, such as $1,000 or $1,500 per subscriber.
- A fee schedule indicating a range or a dollar limit the policy will pay for a given service. Otherwise, consider a percentage limit. For example, the policy could pay 75 percent of costs, with the employee picking up the balance.

Note: The American Dental Association offers a packet of information for employers considering dental insurance. It contains sample claim forms, an explanation of dental insurance terms, lists of companies that provide dental insurance and brochures describing dental prepayment plans. The packet is free and may be obtained by writing: *Dental Prepayment Kit*, Robert E. Caffrey, Assistant Secretary, Council on Dental Care Programs, American Dental Association, 211 E. Chicago Ave., Chicago, Ill. 60611.

Life Insurance

Most school districts provide term life insurance for their employees. One advantage, according to *Teacher Compensation and Fringe Benefits*, available free from Arizona School Boards Association (2602 W. Osborn Rd., Phoenix, Ariz 85017), is that this benefit eliminates the value decision of how long to pay the salary of an employee who dies while employed with the district. Instead of paying the equivalent of salary indefinitely to the family of the deceased employee, the life insurance policy provides a lump sum payment. A second consideration is that paying salary to a family creates a precedent that districts should avoid.

Term insurance is relatively inexpensive and may be purchased as part of a comprehensive medical plan. For example, the Illinois Association of School Boards found in its fringe benefits survey that term insurance averaged $25.48 per employee per year in 23 school districts. The coverage ranged from $2,000 to an amount equal to the annual salary of the employee.

The employee gains a tax benefit with a district-paid life insurance policy because the district payments

The Mendocino County Office of Education in northern California is pioneering a new form of self-insurance that has both school officials and health-care providers enthusiastic. If all goes well, the program could save the county office $500,000 in 10 years.

The "Stay Well" Plan is self-insurance with a twist: The office gives employees a $500 annual rebate if they do not get sick. Formerly, the office purchased insurance that paid all costs associated with an illness.

Under the new plan, which started July 1, 1979, for 150 employees, the county office purchases a $500 deductible policy from Blue Shield of California, and it establishes a reserve in its credit union to pay costs up to $500. Each $500 is in an employee's name, and any unused portion in one year accumulates as severance pay. The employee is thus motivated not to call the doctor for small ailments.

In the meantime, the money set aside for self-insurance is earning interest, which will be applied to the cost of future premiums. In addition to premium increases, the interest should cover the entire cost of premiums within a few years, according to Assistant Supt. Philip Nickerman, the plan's originator.

In this way, the county office expects to maintain the same level of benefits at no additional cost. Mendocino paid $1,357 per person annually for health insurance in 1979-80. If it had not switched to Stay Well, the county office projected it would be paying $2,600 per person by 1990 — or nearly a 100 percent increase.

The plan saves money three ways:

- By motivating employees to use their insurance dollars wisely, the Mendocino office expects to improve its experience rating, which will affect future premiums.
- The reserve money will earn interest instead of going to the insurance company as premiums.
- The $500 deductible requires a smaller premium than a complete coverage policy, and only the premium is subject to inflation. Therefore, a smaller portion of Mendocino's insurance bill will increase.

Nickerman makes these additional points about the Stay Well Plan:

1. At no time is the $500 savings considered salary, since it is unrelated to the work an employee does.
2. At no time is the savings or the $500 set-aside affected by retirement or pension plans, since the amounts are unrelated to salary.
3. The money in the local health account does not technically belong to the employee during his or her employment. For this reason, the employee cannot borrow against or withdraw from the fund or earn interest on it. An employee can benefit only from the $500 yearly allotment budgeted in his or her name.
4. An employee must participate in the plan one full year before being entitled to any of the savings. Upon leaving or retiring, the employee is entitled only to unspent amounts from previous full years of employment.

For more information, contact Philip Nickerman, Assistant Superintendent, Mendocino County Office of Education, 589 Low Gap Rd., Ukiah, Calif. 95482.

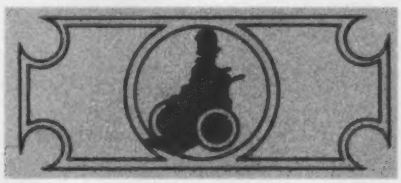
amount to nontaxable income. If the employee pays the insurance, the payments are made from after-tax income.

School districts most often provide four types of life insurance, according to *Administration of the School District Risk Management Program*, published by the California State Department of Education. They are:

- Decreasing term insurance. For a constant amount of premium payments, the insurance company provides a decreasing scale of benefits based upon the age of employees. Younger employees receive larger amounts of insurance than do older employees.
- Level insurance. For a given premium, everyone in the district receives the same amount of death benefits.
- Accidental death and dismemberment insurance. For a relatively small premium, accidental death and dismemberment benefits can be added to both decreasing term and level term plans. It provides for additional payments to the beneficiary if the insured's death results from an accidental injury. Benefits are paid to the insured for accidental dismemberment. Large amounts of this type of benefit also can be purchased voluntarily through payroll deduction.
- Travel accident insurance. This type of policy can provide coverage to employees only when they are traveling on school business or on a 24-hour basis.

Cautions: John Sorrell recommended against self-funding life insurance for all but the largest districts. Unless the district has 5,000 or more employees, self-insurance is not a good idea, he said. Also note: Many state teacher retirement programs include death benefits and disability coverage; consequently, additional coverage would represent an unnecessary expense to school districts.

Disability Insurance



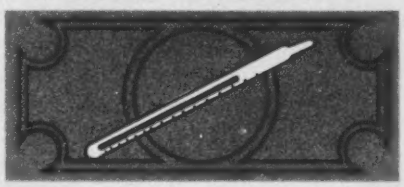
The IASB study found that few districts offered accidental death and disability insurance. Where it was offered, generally it was a minimal addition to the comprehensive insurance program. One reason disability insurance is not offered is because it's expensive.

An advantage of offering disability insurance, said William Holmquist, is this: "The earlier you can get a person off of sick leave and onto long-term disability insurance, the less expensive it is for the school district." In the West Bend (Wis.) School District where Holmquist is board president, long term disability payments are tied to the sick leave policy.

Once an employee is on disability, the insurance company begins paying that employee's costs, Holmquist explained. That frees the district to hire a new teacher, rather than pay for a substitute out of its sick leave budget. Holmquist said the policy applies only to teachers and administrators.

Short term disability provides salary payments for employees when sick leave expires, usually after a waiting period of three days. Although currently not offered in most states, short term disability might be less costly than extended sick leave benefits.

Sick Leave



The main danger in sick leave negotiations is that language may slip into the contract that makes this benefit unlimited. For example, if the contract says "each teacher shall receive *at least* 10 days of sick leave," that clause provides for unlimited sick leave. Similar language can provide unlimited accumulation. Although the annual cost of sick leave can be calculated readily, the annual cost of accumulated sick leave is more difficult to detect.

Teacher Compensation and Fringe Benefits points out these potential cost factors of increasing allowable accumulation:

1. Each sick day taken is equal to the cost of the sick teacher's daily salary plus the cost of a substitute teacher.
2. Extended sick leave sometimes requires a long-term replacement who may be subject to acquisition of tenure.
3. When a long-term replacement teacher is bumped by a teacher returning from sick leave, the district is likely to be liable for unemployment compensation for the substitute.
4. While teachers tend to accumulate sick days (not take them yearly) in the middle of their careers, sick days tend to increase dramatically as retirement approaches and the loss of this benefit seems imminent.

One suggestion to deal with demands for accumulated sick leave is to include a clause in the contract that grants additional sick leave on a case-by-case basis. This can satisfy the union demand that long-term employees need protection from catastrophic illness, but it leaves to the discretion of the board the decision to grant or turn down a request.

Personal Leave

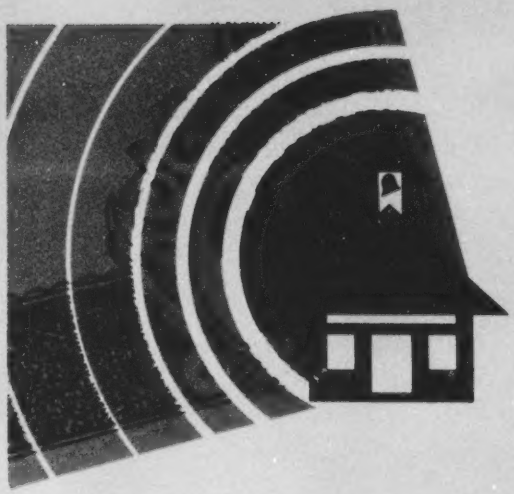
Many districts grant a catchall leave provision known as personal, emergency or unspecified leave. The employee is granted a certain number of days — generally two — which may be used for personal business that cannot be done outside of school hours. The cost to the district is the same as for sick leave — the cost of a substitute plus the teacher's daily salary.

Experts advise that personal leave provisions should contain these limitations:

- Personal days cannot be used on Mondays or Fridays or days preceding or following a holiday.
- Proper notice must be given.
- Approval may be at the discretion of an administrator.
- Limits are placed on the number of staff at one building who can be absent on personal leave at one time.

Granting personal leave "for any purpose" without restrictions amounts to a vacation, said Richard Higginbotham of Waterford, Mich. The personnel director said in an interview for this **Critical Issues Report** that teachers in his area had used personal leave to picket other school districts. To guard against such abuses, Waterford permits personal leave to be used only for six narrowly prescribed circumstances:

- Doctor or dentist appointment that cannot be scheduled any other time (leave is only for the amount of time necessary, such as one-half day).
- Closing a home mortgage.
- Attorney appointments, tax audits, court hearings that cannot be set except during school hours.
- Funerals other than for family (which are covered by a separate funeral leave policy).
- Government-ordered evacuation of teacher residence for flood or tornado contamination.
- Fire in residence serious enough to call fire department.



Chapter VI

School Energy

The rising cost of utilities ranked as the No. 2 budget problem among school administrators responding to the **Critical Issues Survey** for this report. Among administrators from the South, moreover, energy problems were considered the No. 1 problem — ahead of staff salaries.

Forecasts of future increases in the cost of fuel are sobering. AASA predicts, for example, that districts probably will pay at least three times as much for fuel in 1985 as they spent during the 1979-80 school year. One year earlier, in 1978-79, schools were paying an average $57 per pupil, according to Educational Facilities Laboratories (EFL). In 1973, EFL noted, the average cost per pupil was $20.

Current Prices

In January 1980, coal was the least expensive fuel for school consumption, followed by natural gas, propane and fuel oil. Electricity was the most expensive source of energy. Those calculations were made by the North Carolina Department of Education Energy Program, and they refer to costs in North Carolina. A breakdown follows:

Energy source	Price Jan. 1980	Price per 100,000 BTUs
Coal	$50 per ton	33.6¢
Natural gas	32¢ per 100 cubic ft.	45.7¢
Liquid propane gas	48¢ per gallon	74.9¢
No. 2 fuel oil	80¢ per gallon	81¢
Electricity	3.5¢ per kilowatt hour	$1.025

Costs in other parts of the country may vary considerably from those in North Carolina. To illustrate: Electricity costs 7¢ per kilowatt hour and higher in other areas. Some experts predict it will continue to be the highest cost energy source.

Large Savings Are Possible

While the cost forecast is grim, the good news is that schools can begin saving up to 50 percent on fuel consumption at relatively low cost. That is the conclusion of a project called Schoolhouse Energy Efficiency Demonstration (SEED), sponsored by Tenneco, Inc.

SEED conducted energy audits in 20 schools throughout the country. The project's conclusion: "The average school can reduce its energy consumption by 48.6 percent without the use of expensive capital equipment or exotic technology."

Projected savings for the 20 schools are summarized in *Something Special from SEED: Energy Efficiency for Educators and Students*. The changes resulting in the largest savings, plus the estimated payback periods, follow:

Schools Using Heating Fuel	Savings	Payback (mos.)
Insulate windows and skylights	32.5%	24
Tune thermostat system	30.7%	3.1
Reduce fresh air intake	7.3%	14
Schools Using Electricity		
Repiace incandescent lamps	33.6%	25
Deactivate lights near windows	25.4%	4
Use high efficiency lamps and ballasts	15.0%	4
Reduce hydronic flow rate (in hot water heating systems)	12.7%	20

SEED's energy saving recommendations fall into

three categories: tightening the "building envelope" (exterior surfaces), procedural changes and modifying equipment. For example, SEED told officials at the John A. Langford Elementary School in Hartford, Conn., they could save $900 a year by spending $300 to weatherstrip doors.

McVey Elementary School in Newark, Del., was told it could reap big savings by two procedural changes: tuning the thermostat system could save an estimated $3,150 per year (cost: $500) and disconnecting the window banks of lights could save nearly $1,800 per year (cost: $715).

Most of the schools were advised to reduce the hydronic pump rate. Those schools are heated by a series of pumps and fans and a system of moving hot water. SEED explained that lowering the flow rates of the water by 24 percent reduces the energy required to move the air or water by more than 50 percent. This can be done fairly economically by shaving the diameter of the pump's impeller on a lathe. The air flow rate can be reduced by lowering the rotation speed of the fan. This can be done by changing pulleys or replacing the motor with one with a lower rotation speed.

The Lexington (Mass.) High School could save an estimated $2,300 a year, according to SEED, by spending $300 to reduce the hydronic pumping rate.

Most of the other schools could save less dramatic amounts. For example, William Penn Elementary School in Bethel Park, Pa., was told it could save $220 per year with a $150 investment.

Why are such dramatic savings possible? Because many schools were built without regard to energy conservation. When enrollments surged in the 1950s, districts were under a financial strain to build many schools. Energy was cheap and abundant. For those reasons, the emphasis was on low construction costs rather than life cycle costs, i.e., the cost of owning and operating the building over its lifespan. Because of the emphasis on economical construction, schools were built with these energy-robbing features: large expanses of windows, little insulation, inefficient boilers and few controls to regulate ventilation.

What schools didn't know was that an emphasis on low purchase price leads to higher costs later. How that happens was explained by Ed Stephan, an energy conservation specialist with the U.S. Department of Energy who is on loan to Virginia Polytechnic Institute. In an interview for this report, Stephan noted, for example, that a district can buy a boiler at one price that will operate at 80 percent efficiency at high fire. For 5 to 10 percent more money, however, it can buy a boiler that operates at 80 percent efficiency across the normal firing range.

"Most boilers can give you 80 percent efficiency at high fire," Stephan said, "but they only operate at high fire 10 percent of the time." About three-fourths of the time, a boiler will be run at 50 to 60 percent of load. The rest of the time, it operates below 50 percent of capacity. The cheaper boiler may operate at only 30 to 50 percent efficiency at the lower operating levels, causing at least half of the fuel to be wasted, Stephan said. At today's oil prices, it is easy to see how the "bargain" boiler becomes more expensive over time.

Why are boilers used so little at full capacity? Stephan pointed to two reasons: lighting and body heat. "Each body puts out about 500 BTUs an hour and about 700 to 800 BTUs an hour in gym," he said. When the building is occupied, the lights are on, providing two sources of heat in addition to the boiler. Ironically, it takes less energy to heat a building when it's occupied, he said.

Inadequate maintenance is another prime source of energy waste. "We have well intentioned, highly conscientious but underpaid custodians who are trying the best they can to operate school plants that are inefficient," Stephan said. "For the most part, they don't have the know-how to operate plants anywhere near efficiency."

The problem is compounded at budget time because maintenance is a highly visible target for cuts. "It's almost a tradition," Stephan commented. Cutting maintenance is "done without thinking."

Preventive maintenance should be ongoing, Stephan said. Weather stripping, caulking and other low cost measures will be marginally effective if they are undertaken as one-shot measures that are not monitored for deterioration.

Conservation Tips

School energy consumption varies according to a variety of factors, including geographic location, building design and building usage. Therefore, all energy conservation tips should be scrutinized to determine their relevancy before implementation. Experts have found a number of common problems, however, that frequently plague schools. They offer the following suggestions for solving some of those common problems:

Suggestion No. 1: Reduce excessive air circulating through the system. Many schools circulate fresh air at the rate of 10 to 20 cubic feet per minute (cfm) per occupant. The air must be heated or cooled, at excessive cost.

A study by the National Bureau of Standards concluded that less than 3 cfm per student would be adequate for purging carbon dioxide. The American Society for Heating, Refrigeration and Air Condition-

ing Engineers adopted a new standard of 4 cfm as adequate to control odors and contaminants. Stephan recommended 5 cfm to be "absolutely safe."

Caution: Some "overzealous administrators" have closed air intakes completely. If that happens in a well insulated building, Stephan warned, the result could be "a lot of sick kids."

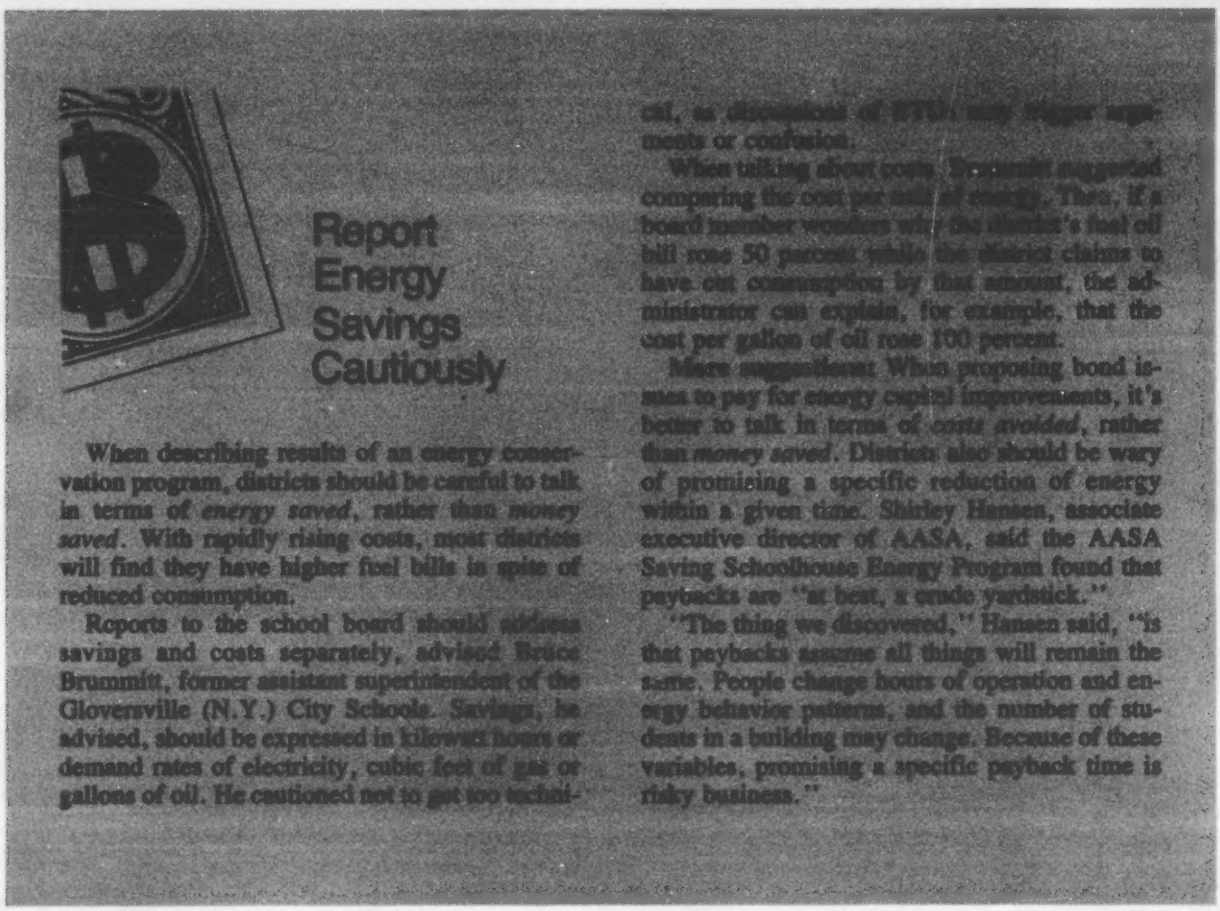
Fresh air is brought into a building through unit ventilators and exhaust fans. The air enters through a grill on the outside building wall and is mixed with recirculated air. The rate of circulation is controlled by a damper inside the ventilator, but wind speed also affects circulation. Measurements in SEED audits showed that winter wind blowing at 10 miles per hour enters the building at quadruple the rate on the windward side of the building and that warm building air flows out the grill on the leeward side, overcoming the positive pressure of the ventilator fan.

Exhaust fans contribute to the problem by expelling treated air and drawing in the same amount of outside air. Cal Anderson, director of energy conservation for the Jefferson County (Colo.) Schools, says an architect in his district calculated that a restroom fan operating continuously during school hours would cost $17 a year to operate but would expel $500 a year worth of tempered air.

The lesson: Be sure exhausts are turned off when not needed.

Other ways to limit excessive fresh air:

- Adjust dampers on fresh air intakes to allow only the minimum required by state code.
- Reduce the speed of the fan in the unit ventilator.
- Disconnect and seal unnecessary exhaust fans.
- Check operable exhaust fans to be sure they have dampers.
- Place operable exhaust fans on timers.
- Install pegboard over the grills of fresh air inlets of unit ventilators. Pegboard is easy to cut, install and replace. Moreover, it is inexpensive, costing about $20 per unit ventilator, SEED noted. The pegboard



Report Energy Savings Cautiously

When describing results of an energy conservation program, districts should be careful to talk in terms of *energy saved*, rather than *money saved*. With rapidly rising costs, most districts will find they have higher fuel bills in spite of reduced consumption.

Reports to the school board should address savings and costs separately, advised Bruce Brummitt, former assistant superintendent of the Gloversville (N.Y.) City Schools. Savings, he advised, should be expressed in kilowatt hours or demand rates of electricity, cubic feet of gas or gallons of oil. He cautioned not to get too technical, as discussion of BTUs may trigger arguments or confusion.

When talking about costs, Dr. Brandt suggested comparing the cost per unit of energy. Then, if a board member wonders why the district's fuel oil bill rose 50 percent while the district claims to have cut consumption by that amount, the administrator can explain, for example, that the cost per gallon of oil rose 100 percent.

More suggestions: When proposing bond issues to pay for energy capital improvements, it's better to talk in terms of *costs avoided*, rather than *money saved*. Districts also should be wary of promising a specific reduction of energy within a given time. Shirley Hansen, associate executive director of AASA, said the AASA Saving Schoolhouse Energy Program found that paybacks are "at best, a crude yardstick."

"The thing we discovered," Hansen said, "is that paybacks assume all things will remain the same. People change hours of operation and energy behavior patterns, and the number of students in a building may change. Because of these variables, promising a specific payback time is risky business."

restricts fresh air intake regardless of damper setting, and it protects the grill from damage.

Suggestion No. 2: Calibrate thermostats and monitor them. SEED findings indicate that a school can save as much as 30 percent of its energy consumption by careful tuning and operation of the temperature system. A common problem, SEED found, was that night, weekend and after-hours temperatures were much higher than intended.

The importance of after-hours settings can be demonstrated by looking at school usage. A typical school is under day thermostat control 35 hours per week and under night thermostat control 133 hours, a ratio of more than 3.5 to 1. Under these circumstances, a school can offset the cost of 3.5 degrees of additional daytime heat by lowering the temperature 1 degree at night.

Caution: Turning the heat off entirely can be false economy in a cold climate. In addition to the danger of pipes freezing, extreme temperature variations can take a toll on equipment, the building and the productivity of the people in the building.

Suggestion No. 3: Tune inefficient boilers. A good boiler has proper controls that ensure the best fuel-to-air mix for efficient operation. Two things that reduce efficiency are carbon deposits and air leaks.

The North Carolina Department of Education Energy Program recommends that boilers be checked frequently with combustion test kits. The kind most widely used in North Carolina public schools is the Bacharach Utility Test Kit Model 5022. Data should be collected at each test so comparisons can be made during future tests.

Spokesmen for the North Carolina program also suggested checking the boiler flues and fire box for cleanliness, and recording the oil pressure gauge reading, temperature of the stack and the room, the percent of carbon dioxide present and combustion efficiency. Most older boilers, they noted, have large chimneys that continually pull air through the boiler, cooling it. By reducing unnecessary air leaks, overall seasonal efficiency of the boiler system can be improved.

SEED pointed out another potential energy savings for the boiler. Often, the main boiler is heated to produce hot water for the kitchen or showers. When no heat is needed, energy is wasted because the boiler heats all of the pipes as well as the water. To avoid such waste, SEED recommended installing smaller independent gas-fired water heaters. A new water heater will cost from $500 to $1,250, but the cost can be recovered from dollars saved in a short period of time.

Suggestion No. 4: Establish a systematic preventive maintenance program. All mechanical equipment should be kept clean and checked regularly to make sure it is operating efficiently. Dirty filters, for example, rob heaters, air conditioners and vents of efficiency. Industry representatives say $1 spent for air conditioning maintenance can yield nearly $6 in saved operating costs.

One way to ensure systematic preventive maintenance is to compile a maintenance manual. The amount of detail in the manual will vary, but at least some documentation will be available to be passed on to new employees.

Suggestion No. 5: Improve training for maintenance and custodial employees. The equipment in many school physical plants has become highly sophisticated, and it requires more highly trained personnel for efficient operation. The need for training is illustrated by the typical mishandling of the unit ventilator, the most common means of heating classrooms in the United States. Here's the scenario as described in *The Economy of Energy Conservation in Educational Facilities, Revised*, published by Educational Facilities Laboratories:

> *A teacher calls in the custodian because the classroom is too cold. The custodian sees that the ventilator is set on 60 degrees, so he sets it on 72 degrees. The problem is that the 60 degree setting does not reflect the intended room temperature. Instead, it represents the minimum temperature of outside air that will be admitted to mix with recirculated air. The room becomes uncomfortably warm. The custodian is called again. This time, he switches off the blower, assuming that the unit is malfunctioning. Students and teacher finally open the windows – making the energy waste complete.*

To operate a unit ventilator correctly and efficiently, EFL said, custodians must understand how to use the following controls:

- The damper, which sets the proportions of fresh and recirculated air at the most economical ratio.
- The low limit setting, which determines when incoming air will be admitted into the system — usually 55 to 60 degrees Farenheit.
- Thermostatic control valve for the heating coil.
- Blower motor switch.

Another common problem, according to experts, is that custodians often do not understand or effectively use time clocks. Such clocks have tabs or "dogs" that change the heat to a nighttime temperature during unoccupied periods. Custodians who do not know what

Is Closing Schools in Winter Cost Effective?

In the interest of saving energy and money, many districts have tried changing the school calendar. One popular change is to use a four-day week during the coldest months. By staying closed Monday, for example, a district can turn back the thermostat shortly before school ends on Friday and not warm buildings again until Tuesday morning. Another variation is to close down for one to three weeks during the coldest season.

Studies by the North Carolina and New York state education departments have concluded that such measures could save the schools some money but cause the community as a whole to use more energy.

The North Carolina study looked at energy consumption in several counties in the northwest part of the state. Energy consumption was recorded in a cross section of homes by trained students and in the schools by maintenance personnel, both when schools were in session and when they were closed.

In two counties, closing the schools caused a net savings of 51 million BTUs of energy. The net loss in three other counties, however, was 126 million BTUs, for an overall loss of 75 million BTUs of energy.

Why? Although the schools saved on lighting and cooking costs, a certain amount of heat was needed to prevent freezing of pipes. In extremely cold weather (0 to 20 degrees Farenheit); the study noted, the amount of energy required to prevent freezing is close to that required to keep schools open.

Another finding: Questionnaires were distributed to homes in North Carolina; 6,000 were returned. They indicated that about 40 percent of the homes were unoccupied during the work day. In 12 percent of the unoccupied homes, the heat was turned off altogether. Another 57 percent lowered the thermostat during daytime (school) hours. The study also noted that closing schools resulted in more home energy consumption in television watching, cooking and use of hot water.

The New York study collected consumption figures from 24 schools in 10 districts, representing all climate zones in the state. Volunteer students collected consumption information in their own homes. Both studies encountered data collection problems. In North Carolina, some student records were faulty and could not be used. In New York, the homes surveyed were not selected at random.

While neither study is conclusive, both indicate that more energy is likely to be consumed by the total community when schools are closed.

the tabs are for will sometimes remove them, negating the value of the setback equipment.

Note: Improved maintenace is not a low-cost solution. Districts usually get what they pay for when hiring personnel to run maintenance and operations divisions. Also, training custodial and maintenance personnel may need to be individualized. Here's why:

The Gloversville (N.Y.) School District reported in response to the **Critical Issues Survey** for this report that it sent trainers on follow-up school visits after conducting workshops. The trainers found that only about one-half of the custodians had learned the skills covered, such as how to do a combustion check and a lighting survey. The visits provided the trainers with an opportunity to demonstrate the tasks on an individual basis.

Suggestion No. 6: Examine utility charges for ways to reduce costs. Some districts have found they are charged according to a higher rate schedule than necessary. If steps in a rate schedule are based on certain minimum amounts of consumption, and the district uses less than the minimum, it should be charged accordingly.

Tip: Some utility companies will provide a demand profile for schools upon request. The Public Service Company of Colorado (PSCO), for example, provided the Denver Public Schools with demand profiles for 150 schools. The district used the information to determine cost per square foot per year and how to reduce that cost by switching to off-peak usage. Demand meters also may be purchased to provide such information. The meters used by PSCO cost $150 each.

If the local electric company uses peak load pricing, a district may be able to save substantial sums by scheduling or cycling equipment to avoid peaks. One way to lower the peaks is to schedule large mechanical equipment to run during off-peak hours (at night). A candidate for this practice might be a pump that refills a water storage tank. Schools, however, have few kinds of equipment with large horsepower that can be run after school hours. Instead, schools have begun limiting loads by cycling air handlers and other pieces of equipment that do not have to run continuously.

All-electric schools: take note. All-electric schools that have hydronic (hot water) heating systems can limit electrical loads through thermal storage. What's needed is an insulated, reinforced, concrete vented water storage tank. Electric boilers operate during off-peak hours to heat the stored water, which is circulated the following day to heat the school building. In summer, the same tank can be used for chilled water for cooling.

Thermal storage installed in new construction yields several advantages, according to Robert Bryan of the North Carolina Department of Education Energy Program. First, electric boilers and cooling equipment can be reduced greatly in size because much longer periods of operation can be maintained. Smaller equipment also means less electrical switch gear and wiring. Bryan said the savings from these items alone would "very likely" pay for the thermal storage.

In existing buildings, Bryan said, thermal storage is probably cost effective when three conditions are met: demand is a significant part of the rate structure, heat is supplied by electricity and the school uses hot water heat.

Two methods are available to cycle equipment: computers and time clocks. Computer systems can be purchased that establish priorities for mechanical equipment. The systems include sensors that can detect the number of kilowatts being consumed at a given time and can signal a non-essential motor to turn off when a school starts approaching its peak.

Some districts, such as the Houston (Tex.) Independent School District, have found they can handle load limitation quite adequately with a system of time clocks and motor control relays. Houston's system was described by C.R. Kelton, deputy superintendent for business, before the 1979 annual conference of the Association of School Business Officials.

Houston's "System 300 Electric Energy Control Unit" is basically a series of timers. A master clock feeds a cycle timer which, in turn, feed six circuits of motor control relays. Tied into the system is a four-hour override timer. It is activated when the school is to be used outside the normal operating hours of 7 a.m. to 3 p.m. The cycle timer turns off electrical loads approximately three minutes out of 10. The net effect is that one-third of the electrical loads connected to the system are off at any given time.

Houston's system cycles air handlers in its air conditioning system. Kelton cautioned that the system must have excess capacity in order to do so. "If a heating or air conditioning system is marginal or just big enough to carry the heating or air conditioning load, the air handlers cannot be cycled," he said.

Kelton cited these advantages to Houston's system of time clocks:

- Ease of maintenance. The system uses standard "off the shelf" time clocks, relays, time-out timers and cam timers that "any electrician or air conditioning/heating technician can understand and repair."
- Low cost. A System 300 control unit costs less than $1,000, which is approximately one-fifth the cost of a computer remote terminal unit the district tried before devising its own system, Kelton said. The installed cost of the System 300 is approximately $2,500 for an elementary school and $5,000 for a secondary school.
- Reliability. The System 300 operates independently of a computer and telephone lines. Because of this, Kelton said, its reliability "was about 50 times better than what we experienced using telephone lines and the computer system. Also when one System 300 fails, only one school is affected. When 20 schools are connected into a computer, they could all be affected by a computer failure."

Another view: The Metropolitan Nashville-Davidson County (Tenn.) School District decided to install the Whites Creek Energy Measurement System manufactured by Robershaw Controls to monitor boilers, chillers, pumps and ventilation systems.

The consulting engineers who worked with the district in installing the system cited these advantages to computer monitoring: improved use of personnel; ability to program several factors into the monitoring system; provision of permanent records of equipment performance via printouts; and ability to monitor building security and fire management systems if those functions are added to the computer program.

In addition, the engineers said, the computer system frees principals and custodians from the burden of matching occupancy and operations. It also stops "foot patrol" inspection tours by flagging small problems before they become big ones, they noted. Freed of those duties, the engineers added, custodians can use their time on preventive maintenance. The sophisticated system can be programmed to take into consideration start-up and shutdown times, custodial schedules and weekend and holiday hours for each building.

For other districts, deciding between computers or time clocks can be difficult. How to decide? Robert Bryan suggested that districts first analyze their rate schedule to determine the extent that demand is a factor in their bills. If the demand charge is not high, Bryan advised, a district may find it cost effective to take the "calculated risk" of using timers. If, on the other hand, he said, the district is paying $4 to $6 per kilowatt hour surcharge for demand, it may find that a computer is a better investment.

Another factor is the school's electrical load. The Gloversville (N.Y.) School District found that computers were not cost-effective in schools heated by an energy source other than electricity.

Other experts consulted on the subject of peak load pricing mentioned one big disadvantage of using timers rather than computers. Because sensors are not present to "police" usage, some peaks may occur inadvertently, e.g., when a shop teacher turns on a welder, causing a big surge in the amperage needed. Also, a school could have a power outage in one part of the building, causing the intervals between cycles to be altered.

Note: Time clocks have a value even for districts whose utility company does not use demand billing. Without some means of cycling, air handlers could run continuously, using more energy than necessary.

Suggestion No. 7: Reduce heat gain and loss through improved window insulation. Glass windows are a large source of heat loss because glass is a poor insulator. According to SEED, the typical R (thermal resistance) value for windows ranges from only 0.8 to 1.1.

What's a good alternative? SEED recommended a material that is aesthetically pleasing, lightweight, non-toxic, translucent and non-flammable. It should be something that school employees can install themselves for further cost reduction. SEED also looked for insulation that sealed tightly to the window frame to create a dead air space.

SEED identified three alternatives and listed the pros and cons of each:

- **Duct board.** A rigid fiberglass material, duct board has aluminum foil backing that is one inch thick. It is inexpensive (less than 50 cents per square foot), easy to install, non-flammable and has an R4 rating. Its two drawbacks are "a questionable appearance" and opacity.
- **Tuffak or Cyrolon.** This is a light cellular plastic (polycarbonate) material, approximately ⅜ inch thick. It is available in translucent white and may be

Free Resources from SEED

The Schoolhouse Energy Efficiency Demonstration (SEED) is a public service project sponsored by Tenneco, Inc., and endorsed by nine national education groups, including AASA.

Energy audits of 20 schools, primarily in the Midwest and Northeast, were conducted under the direction of two professional engineers. The findings, some educational materials and an extensive technical manual are included in a free, 129-page report, *Something Special from SEED-Energy Efficiency for Educators and Students*.

SEED also produced a 21-minute film, "The Search R," for use with junior primary students and educators. The film shows an energy audit and makes the point that saving energy costs, if not offset by efficiencies, may have to be paid with funds taken from the classroom. A 24-page free booklet repeats the message of the film and suggests several energy conservation tips for a typical school.

To borrow the film or obtain copies of the report and booklet, contact Tenneco, Inc., Public Affairs Department, P.O. Box 2511, Houston, Tex. 77001.

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installed with standard adhesive tape. After installation, the window will have an R2+ value, reducing heat loss by 70 percent while admitting 70 percent of light. The major drawback is cost: at approximately $4 per square foot installed, SEED estimated a payback of five years (compared with an eight-month payback for duct board). Note: Some state fire codes prohibit the use of the Tuffak or Cyrolon material.

- **An experimental product.** This product is being developed by Owens-Corning Fiberglas Corp. It has an R value of 3+ and reduces heat loss by up to 80 percent. It is 40 percent translucent, which transmits some diffused sunlight. SEED proposes that only the upper two-thirds of windows be covered with it. The cost is $1 per square foot. The material has been installed in three SEED-audited schools: Court Street Elementary School, Lancaster, N.Y.; Lynnewood Elementary School, Havertown, Pa.; and Flora S. Curtis Elementary School, Pawtucket, R.I. If tests prove satisfactory and the product becomes available commercially, Tenneco will notify AASA and other education groups.

Cautions: School districts should examine all costs related to window insulation. One example: The Carleton Board of Education, Ottawa, Canada, decided against window insulation when officials found repayment through energy saved would take from 15 to 300 years. The district considers five criteria in deciding on window replacement: payback, maintenance costs, the amount of painting required, security and the condition of the window frames.

SEED also cautioned schools to be careful when insulating tinted glass. It may overheat, crack or expand. Windows with east or west exposure, SEED said, are most vulnerable to cracking.

Suggestion No. 8: Reduce lighting, but don't go overboard. Some schools built in the 1950s and 1960s were designed with lighting levels now deemed excessive, such as 150 footcandles for classroom work. Ed Stephan contends, however, that some school administrators have gone too far in the opposite direction, lowering light levels to the point where students' ability to read could be jeopardized.

Stephan recommended 70 footcandles for classroom lighting, while some state standards allow classroom light levels as low as 30 footcandles. Stephan noted: "Lighting accounts for no more than 10 percent of the energy consumed in an average school building, while heating, ventilation and air conditioning consume 50 to 75 percent."

Proponents of light levels lower than 70 footcandles suggest using "task lighting" for demanding work, such as drafting or shop tables. All sides seem to agree that light can be significantly reduced in non-reading areas, such as corridors and cafeterias.

Following are some commonly accepted standards for school lighting:

Area	Footcandles
Classrooms	50-70
Corridors	15-20
Cafeterias	20
Gymnasiums	30
Toilet rooms	10-30
Drafting, art, sewing	100

Note: All lights are not equal. Efficiency is measured in terms of lumens per watt. Incandescent lights are the least efficient form of lighting. The Energy Division of the Illinois Department of Business and Economic Development released figures showing lumens per watt, including ballast, of five lamp types. High pressure sodium lamps yielded 105 lumens per watt (based on the average or middle size lamp). Metal halide yielded 75 lumens per watt; fluorescent, 74; mercury, 51; and incandescent, 20.

Another good rule of thumb is that low wattage lamps are less efficient than high wattage lamps. For example, a 60-watt lamp produces 870 lumens or 14.5 lumens per watt, while a 200-watt lamp produces 4,010 lumens or 20.0 lumens per watt. Two 60-watt bulbs will produce an equivalent amount of light as one 100-watt lamp, but they consume 20 percent more wattage.

Following are further tips to improve lighting efficiency and cut waste:

1. Consider installing two switches in each classroom, so the row of lights next to the windows may be turned off when natural light is sufficient.
2. Consider new, high efficiency lights, such as the watt-miser. It operates on fewer watts but produces the same amount of light as standard fluorescent tubes. Another option is to remove one tube from a two-tube fixture. Development Sciences, Inc., of California has developed the "phantom fluorescent tube" which replaces one of two tubes in a fixture served by a two-lamp ballast. The second tube delivers 33 percent of the original fixture light with a 67 percent reduction in power.
3. Keep fixtures clean. Dirt can decrease lighting output as much as 30 percent.
4. Use white, non-glossy paper for reading and writing; stock #2 pencils and dark ink.

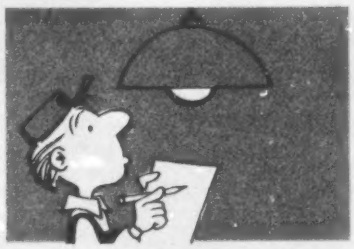
5. Paint walls, ceilings and floors colors that reflect light.
6. Turn fluorescent lights off if a room will be unoccupied more than five minutes. Caution: Excessive turning off and on will wear out the ballasts.
7. Consider replacing all lamps at the same time after 70 or 80 percent of the rated life of the bulb or tube has been consumed.

Energy Management Programs

School Energy Crisis: Problems and Solutions, an **AASA Critical Issues Report**, found that successful energy management programs have several things in common:

- Commitment from the top, starting with comprehensive energy use policies formulated by the board of education and wholeheartedly supported by the school administration.
- Assignment of responsibility for the program to a single administrator.
- Establishment of an energy conservation team, involving a cross section of the school community.
- Audit-taking to identify areas of possible energy waste and corrective measures.
- A recordkeeping system to monitor energy on a regular basis, e.g., monthly.
- Use of techniques to encourage energy thrift by staff and students. They could range from contests to rebates of a portion of the dollars saved to individual schools.
- Publicity to enlist the support of parents and community.

For more information on starting and managing an energy program, establishing school energy teams, how to hire consultants and cause studies of school district conservation measures, see *School Energy Crisis: Problems and Solutions*. (Order from AASA, 1801 N. Moore St., Arlington, Va. 22209; Stock No. 021-00380; single copy price, $9.95 prepaid.)



Energy Audits

An energy audit is a survey of building energy usage whose purpose is to identify inefficiencies and waste, either from operation of equipment, from the design of the building or other factors.

Energy audits are known by a variety of names. They range from the simple to the complex. At one end is the mini-audit — a walk-through of the building to identify easy-to-spot types of energy waste. The mini-audit may be conducted by a school energy committee or a school employee or other person using a checklist. At the other end of the continuum is the maxi-audit. It is usually conducted by a paid consultant and results in a lengthy report with technical recommendations. The maxi-audit is used selectively because of its cost. (Estimates range from $5,000 to $15,000 per building.) The maxi-audit is usually associated with capital improvement projects. Computer forms are available from some state energy offices and from proprietary firms to do either a mini- or a maxi-audit.

To gain maximum benefit from even the most cursory audit, forms should be designed to ensure that uniform information is gathered from each school. Carsie Denning of the North Carolina Department of Education Energy Program suggests that four types of information be collected prior to and during a mini-audit:

- Easily obtained printed data, such as brief floor plans and information about building characteristics.
- Information gained from the actual "walk-through" survey.
- Historical energy use and projected usage.
- Brief calculations of estimated costs of energy conserving renovations.

Ideally, federal and state energy experts say, the mini-audit should be done by a team which includes: an engineer who understands building operations and construction, as well as heating, ventilating and air conditioning systems; an engineer or technician from the gas utility or an expert on oil burning machinery and equipment; an engineer from the electric utility who understand rates, demands, load peaks and other basic characteristics of electric energy; and the custodian or other school employee who is most familiar with the school building, its use and equipment.

Some experts suggest that the walk-through part of an audit follow the flow of heating, cooling and hot water in the building. Auditors should question the function of all moving equipment and check, where possible, to determine if mechanical equipment is operating efficiently.

Following the mini-audit of a school, energy consumption should be converted to BTUs consumed per month or per year. In this way, the performance of schools with difference sources of fuel can be compared. Schools consuming the most energy should be

targeted for further investigation. The mini-audit probably will reveal areas where schools can begin saving energy immediately. The district can then use the savings to pay for consulting help for identification of additional areas of possible savings.

Note: SEED suggested that audits be conducted twice in a single building: once, when the building is fully occupied with all heating and lighting systems in normal use and the second time, late at night when outside temperatures are coldest in order to verify night setback and closure of fresh air intake devices. Note, too, that SEED uses specialized instruments such as air velocity meters, digital thermometers and illumination meters to verify written records during audits. A list of instruments used, their functions and costs may be obtained from Tenneco, Inc., Public Affairs Department, P.O. Box 2511, Houston, Tex. 77001.

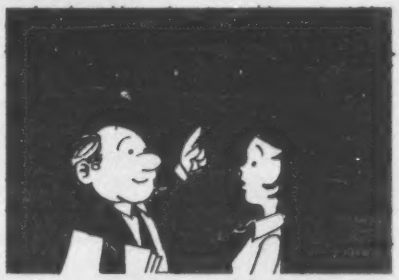
Getting Low-Cost Help

Obtaining the help of specialists does not have to be expensive. For example, Northern Illinois Gas Company provides free thermographic inspections for schools to detect escaping heat from school building shells and heating equipment. It also provides extensive thermographic analyses for a fee and installs heat control devices to regulate use of boilers. For more information, contact T.E. Brand or D.J. Winthers, Northern Illinois Gas Company, P.O. Box 190, Aurora, Ill. 60507.

Some gas suppliers will conduct free flue gas analyses of school boilers.

For other sources of free or low-cost help, consider:

- Asking a retired mechanical engineer or parents with appropriate expertise to volunteer their services.
- Joining with nearby districts in hiring a specialist.
- Requesting help from a "model" energy-saving district in the state.
- Contacting the state energy agency or state education agency.
- Exchanging physical plant supervisors with another school on a cooperative basis.
- Seeking help from a local university.
- Forming or getting help from a community energy conservation group.
- Hiring a consultant on a short-time basis.



Energy Consultants

Ed Stephan warned that "the woods are full of snake oil salesmen who didn't know a BTU from a cup of coffee last year, but who now bill themselves as energy experts." Stephan counseled that schools should hire mechanical engineers who have a background in heating, ventilation and air conditioning systems (HVAC) as consultants. When considering a consultant, ask the person about relevant jobs and for a list of former clients.

Another tip: Ask for the names, educational background and experience of all the firm's employees who might work on the school facilities. Stephan noted: A mechanical contractor who has spent 15 years repairing boilers generally is not qualified to say what changes should be made in the school energy program.

Stephan advised against hiring architects to do energy audits because their education and training generally are not geared to school mechanical systems. For the same reason, he said, administrators should be leary of retaining consultants whose background is civil, chemical or aeronautical engineering unless they can demonstrate specialized experience with HVAC systems. If an engineer comes from a specialty other than mechanical, Stephan said, the district should consider requiring a performance bond which would guarantee a certain amount of energy savings.

Help from the Feds

Financial aid for energy conservation improvement is available to schools through the schools and hospitals program of the National Energy Act. Congress approved spending $900 million over the first three years of the program to pay for energy audits, technical assistance and building and equipment modifications.

The money flows from the U.S. Department of En-

ergy through state energy offices to school districts and hospitals. In most cases, the grants require a 50/50 match of federal and local funds. The law requires a sequence of four steps: preliminary energy audits, energy audits, technical assistance and energy conservation programs.

The preliminary energy audits, which have been completed, were collected by questionnaire to provide data so each state could develop its own state energy plan. All states except Nevada submitted plans for approval as of January 1980, making schools in that state currently ineligible for the program.

Step two, the energy audit, is a mandatory on-site inspection by a state-certified auditor. The purpose of the audit is to verify the information in the preliminary audit, to identify energy-conserving maintenance and operations procedures, and to indicate potential need for capital improvements. Funds are available to pay for 100 percent of the cost of an audit. Most districts, however, are more interested in applying for grants for technical assistance or energy conservation measures.

Technical assistance grants are intended to help schools hire qualified consultants to complete detailed engineering analyses of schools (maxi-audits) in support of capital improvements. Regulations issued by the Department of Energy encourage the use of "coordinating agencies," such as boards of cooperative services or intermediate units, to apply for technical assistance and capital improvement grants on behalf of several districts. Grants for both technical assistance and energy conservation measures are available on a 50-50 basis.

Grants for energy conservation measures are available only for schools that were completed on or before April 20, 1977. They cannot be used to pay for improvements to a building used primarily for administration.

Each state is required to rank all grant applications it receives for energy conservation measures. The criteria to be used in ranking include: payback period, currently used and proposed energy source, climate and other factors determined by each state.

Note: The schools and hospitals program of the National Energy Act operates on cycles, not fiscal years. For example, two cycles were scheduled for 1980. The federal government sets the cycles, but the states set the deadlines for submitting applications. Since each state establishes its own plan, schools are advised to contact their state energy office for more information. Some state energy offices are in a state of transition. Districts unsure where to call should check with the governor's office for the name and phone number of the agency.

Getting People To Save Energy

Successful energy conservation programs depend on the cooperation of people. That opinion comes from energy experts and school administrators consulted for this report.

Some experts advise that energy conservation committees should contain broad representation from the school "family" so all groups will have ownership in the program.

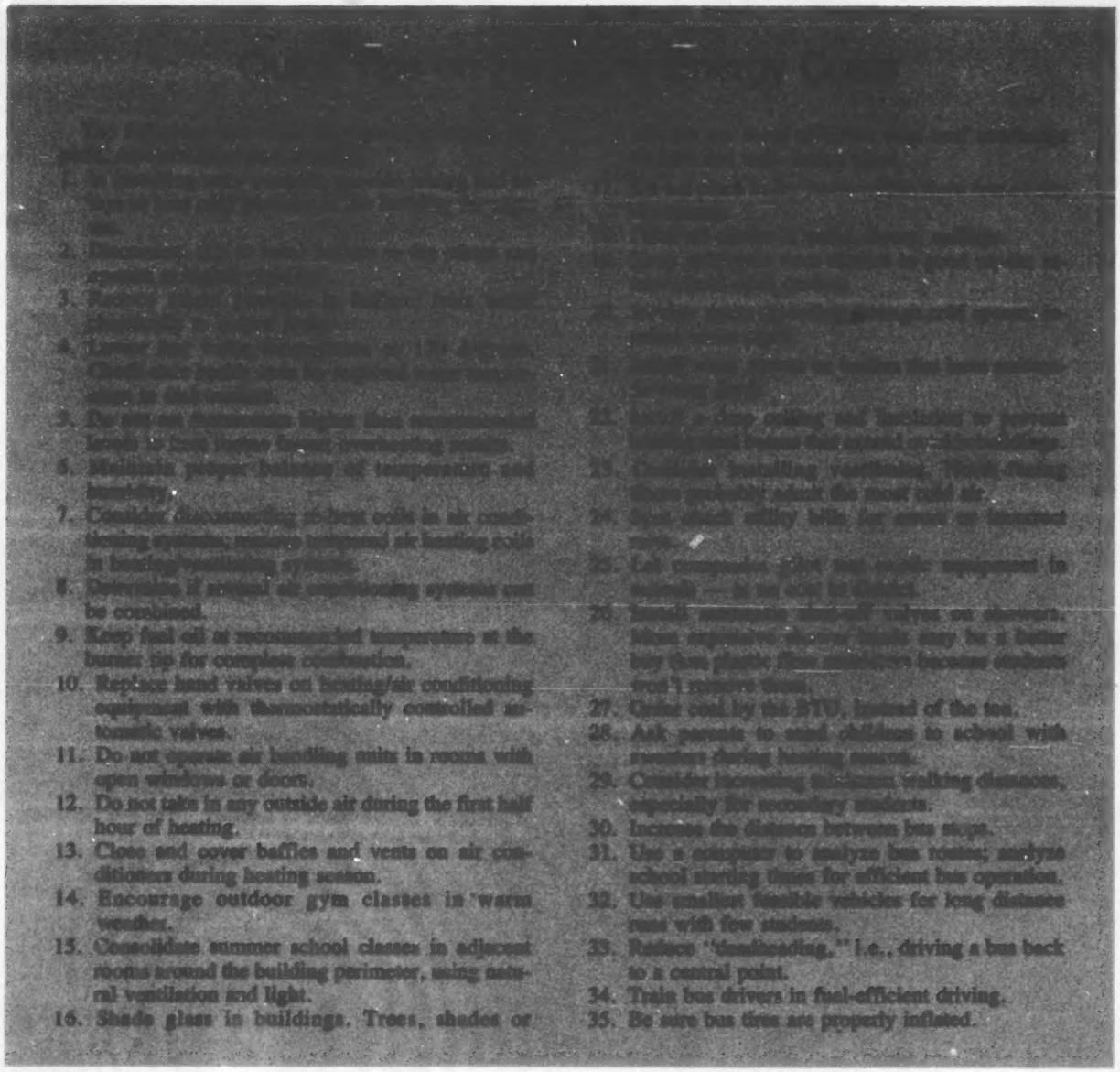
A second way to involve people is to make energy conservation profitable. To illustrate: the 22,000-pupil Aurora (Colo.) Public Schools awarded prizes of $1,000, $500 and $250 to the schools saving the most energy between November 1977 and May 1978. Before the contest began, the district tuned heating, ventilation and boiler units, and it replaced caulking and weather stripping.

The result? Overall consumption in the district dropped 10 percent for a savings of $35,500. The winning schools posted energy savings exceeding 30 percent. District energy director Ed McMechen attributed about two-thirds of all savings to the mechanical changes and one-third to the attitude of students and teachers. But, he said in an interview for this report, changing attitudes holds the greatest potential for savings.

Caution: Energy conservation contests can sometimes backfire. A school that saves a great deal one year may slack off the next, thinking it can't possibly improve its performance enough to win again. One solution is to compare current year usage with an average of the previous three years. Another approach is to give rebates, so each school has a chance to win each year.

Rebate programs can be simple, returning a percentage of the money saved. Or they can be complex, using formulas that consider such factors as degree days and projected consumption.

The Dade County Schools, Miami, Fla., saved an estimated $1 million in the first year of its rebate program and $1.5 million the following year. When the program began in August 1977, schools were told they would receive 80 percent of any dollars saved on #2 fuel oil, natural and propane gas, water and electricity. In the second year, schools received 40 percent of the



savings repeated that year and 80 percent on new or additional savings.

In addition to the strong financial incentive to conserve, Dade County promotes competition by recognizing the top nine schools (three each of elementary, junior high and high schools) with trophies and certificates. They are presented at a school board meeting, which always gets television coverage.

During the first year of the rebate program, district staff encouraged conservation by presenting workshops for science teachers and advice to schools on how energy use could be cut. Schools received light meters, thermometers, hydrometers, workbooks and slide-cassette tape programs on energy conservation.

Now the district has no trouble motivating pupils and teachers to conserve, said Gerald Dreyfuss, executive director of the budget division. "We have schools that got back $25,000 to $30,000 the first year and $15,000 to $16,000 in subsequent years." The money is used at the school's discretion — an important incentive, Dreyfuss said. Rebates have been used to buy books, overhead and movie projectors, new desks and air conditioning equipment. "The board is 100 percent behind the program, and the teachers union is supportive because it generates money for the students," Dreyfuss concluded.

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The Port Huron (Mich.) Area School District devised a rebate program that considers an individual school's savings for all utilities: telephone, natural gas, fuel oil, electricity and water/sewer.

Rebates are calculated based on audited figures at the end of the school year. Any rebates are added to a school building's budget for the following year, to be used for equipment or supplies. Schools receive up to 50 percent of the money saved, said Roland F. Johnson, assistant to the superintendent for business administration. The other 50 percent is used for energy saving capital construction.

For 1977-78, schools that were below their utility budgets saved a total of $120,600. Several schools overspent their budgets by a total of $6,700. The net savings was $113,900. Schools that went over their utility budget received nothing. Conserving schools received 47.2 percent of the savings, for rebate payments ranging from $194 to $13,163.

Note: The rebate program was launched with two stipulations designed to keep the district from going in the red: Rebates would be paid only if revenue projections produced adequate income and if total general fund expenditures did not exceed revenues.

Tips for Cutting Waste

Waste occurs, Aurora's McMechan said, when people fail to cooperate to save energy. An example would be an employee who uses a space heater to warm a room chilled by a 68 degree thermostat setting. Another problem: Often the people who have to enforce energy guidelines are service (non-instructional) personnel, "and the teachers do not listen to them."

What can be done? McMechan finds that monthly consumption reports are "a great tool" to sell conservation. He highlights wasteful schools with yellow marker and describes for administrators the specific problem (or person) causing the waste. Some other energy directors find opposition frustrating, so they sometimes resort to "dirty tricks" such as hooking up dummy thermostats.

Here are additional tips from energy directors:

- Make sure heating and cooling systems are operating properly before urging cooperation with conservation programs.
- Establish a policy of investigating every complaint.
- Give custodians high-quality thermometers.
- Be reasonable. Lowering the temperature one degree per week may be necessary in some instances.
- Include energy in the curriculum.
- Install locks on thermostats and give the key to one person who answers only to the principal or district maintenance director.
- Consider energy conservation as a performance criteria in evaluating principals.

Solar Energy

Solar energy systems can be active or passive. Active systems capture the sun's heat on large panels, called collectors, and the heat is transmitted by pipes to a storage medium, such as fist-sized rocks or a tank of water.

Passive solar energy uses building design to capture light and heat without the installation of extensive storage and transmission equipment.

Some passive solar energy is virtually cost-free. For example, classroom window shades can be opened on sunny days and closed at the end of the day to reduce heat lost during nighttime hours. Another "free" use of solar energy is to face the north side of a school building into a grassy berm or hillside and to place most windows on the south side.

The problem comes in trying to generalize about solar energy payback periods. One highly respected solar expert said paybacks vary substantially with the source of energy being compared. For example, natural gas is "so cheap" that replacing it with an active solar system is seldom cost effective, he said. At the other extreme, electricity costs are so high in some parts of the country that solar energy costs could be recouped in a relatively short time. Some passive systems can be very expensive, the expert added, and not enough evidence is currently available, in his opinion, to support the claims of cost effectiveness offered by proponents.

Given those caveats, school districts might consider three passive solar designs, according to Sharon Towle, staff research analyst for the Solar Energy Research Institute Passive Technology Branch in Golden, Colo.

Trombe walls. The Trombe wall is a south-facing masonry wall with a glass covering, separated from the wall by an air space. The sun warms the air space, and the heat is stored in the wall until needed inside the building. Any school with a "high-mass structure" (e.g., concrete, brick or other masonry) is considered a candidate for the Trombe wall. Only the glass needs to be added. No piping or storage facilities are needed. Also, schools with large expanses of win-

dows may be able to install the Trombe wall behind the glass. Note: If a wall is installed behind existing windows, the foundation must be strong enough to support its mass. In cold climates, insulation would have to be added around the windows. Another consideration: Heat loss at night would have to be more than offset by heat gain during the daytime.

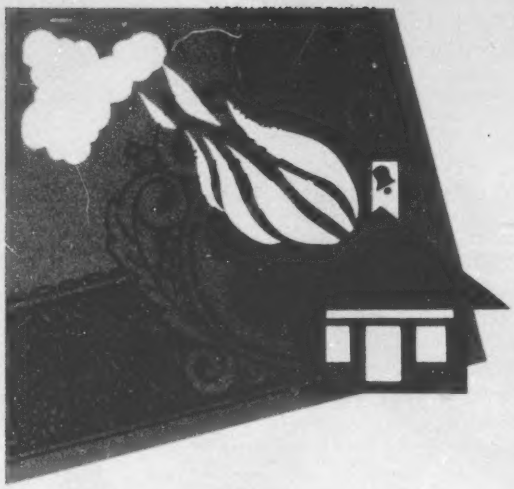
Direct gain system. Schools could use south-facing windows for light and heat. In direct gain systems, the heat is stored in masonry walls and floors. Caution: poorly designed Trombe walls or direct gain systems can produce too much heat or glare in the middle of the day. The right proportion of window area to heat-absorbing mass is needed.

Solar Greehouses. A smaller scale option is to install a solar greenhouse for educational as well as heating purposes. A greenhouse could provide enough heat to warm an equivalent amount of space, but not an entire building. Like the Trombe wall and direct gain systems, a greenhouse needs a southern exposure to produce satisfactory results.

Note for funding: Grants under the schools and hospital program of the National Energy Act can be used to make solar energy improvements. Schools should be cautious, however, about planning a project that will have a lengthy payback time. Although the criteria for funding favor a switch to renewable resources, all states must give greater weight to the payback in ranking applications.

For more information: The Solar Energy Research Institute Passive Technology Branch has four centers serving different regions. *East* — 70 Memorial Dr., Cambridge, Mass. 02142 (phone: 617/661-3500); *South* — 61 Perimeter Park, Atlanta, Ga. 30341 (phone: 404/458-8765); *North Central* — 1256 Trapp Rd., Eagan, Minn. 55121 (phone: 612/853-0400); *West* — 921 Southwest Washington, Portland, Ore. 97705 (phone: 503/241-1222).

In addition, the federally sponsored National Solar Heating and Cooling Information Center operates a toll free hotline on solar information (800/523-2929). It's open weekdays, 9 a.m. to 8 p.m. Eastern time. It also offers numerous free publications.



Chapter VII

Risk Management

The purpose of risk management is to reduce the costs of risks to the district from perils such as fires, lawsuits, injuries and vandalism. The key elements of risk management are to identify risks and take action to reduce the effects of those risks. Such actions can include: implementing safety programs to reduce accidents, monitoring claims to discourage fraud, assuming risks where the expense is foreseeable and the cost affordable (self-insurance), and transferring risks (by purchasing insurance) where potential risks are large and/or unpredictable.

Knowledgeable school business officials advise that all school districts should have a risk management program, regardless of their size or location. All districts, for example, can benefit from a safety program that reduces accidents. Small districts may find it desirable to pool with others to self-insure some risks. Others may self-insure by purchasing large deductibles on conventional insurance or by establishing a reserve and buying excess (stop-loss) insurance to cover losses the district cannot afford.

Steps in Establishing a Program

1. Appoint a risk manager. First, the school board should adopt a policy endorsing the concept of risk management and delegating authority for safety to the risk manager. Risk management should be assigned to a specific person because it is a day-to-day management function. Although most districts probably cannot afford a full-time risk manager, two options are available: assigning risk management to the district business manager or contracting with a full-time risk manager for part-time services.

2. Identify risks. This can be done by using insurance checklists and on-site inspections. Ideally, a large cross section of the education community should be involved in risk identification. School maintenance personnel, teachers, administrators and students all bring different perspectives and may spot a hazard the risk manager would overlook.

3. Evaluate the risks. Each risk should be evaluated in terms of the likelihood of its occurrence and the magnitude of the loss. Those two factors determine whether the district should assume the risk (self-insure) or transfer the risk.

Two experts in risk management make a distinction between predictable and uncertain losses in assessing risk. Nester Roos and Joseph Gerber, professors of insurance at the University of Arizona, Tucson, explained at a workshop sponsored by the Association of School Business Officials that the term "risk" applies only to uncertain losses. For example, a district will probably have a predictable number of broken windows which can be replaced by school maintenance staff. The amount of other vandalism-caused damage may be less predictable. In such circumstances, the district will want to insure against the higher-cost damages and budget for the predictable losses.

Roos and Gerber suggest that districts should determine what to insure and what to assume based on *frequency* and *severity* of losses. Prime candidates for self-insurance, they say, are (1) high frequency, low severity losses (e.g., workers compensation; employment health benefits) and (2) low frequency, low se-

verity losses (e.g., broken windows). Prime candidates for transferring the risk to an insurance company are (1) high frequency, high severity losses (e.g., auto accidents) and (2) low frequency, high severity losses (e.g., fire; tornado).

4. Select the technique for handling the risk. School districts have four choices, said L. Dean Webb, Arizona State University education professor, in *School Business Affairs* magazine: avoiding the risk, reducing the likelihood it will occur, assuming the risk or transferring the risk.

In order to avoid the risk, a district would have to eliminate the activity. For example, trampolines have been associated with crippling injuries, so a district might consider eliminating this sport. In most school-related risks, however, avoidance is either impractical or undesirable.

Reducing the risk is the purpose of most safety programs. In the trampoline example, risks can be reduced by establishing strict procedures for use, training teachers and students in trampoline safety and locking the trampoline when it is not under supervised use.

Webb cautioned that reduction of risk is not usually the sole method of dealing with a problem, but it must be used in conjunction with other risk management tools.

When should districts assume the risk? When the dollar amount of the loss will not be catastrophic, Webb advised. All risks above the "catastrophic mark" should be transferred. Webb recommended that the school board, not the risk manager, establish the dollar amount above which risks are transferred.

Roos and Gerber recommended retaining as much of the risk as the district can afford. Or the level of retention may be set by the market.

Caution: Don't accidentally self-insure or unconsciously assume a risk. A good example is an unnoticed exclusion in an insurance policy. "It's the kind of self-insurance you want to avoid," Roos said.

An idea from Oshkosh: Deductibles, which are another form of retention, are priced progressively. That is, small deductibles are proportionately more expensive than large deductibles because insurance companies are more likely to be charged with small claims than large ones. Knowing that, the Oshkosh (Wis.) Area School District increased the deductible on its property insurance from $250 to $10,000. The result: $10,00 savings the first year. "We were paying out claims under $250 anyway," said Business Manager William Harvey in an interview for this report. The small claims paid were for such things as stolen cassette tape recorders and broken windows. The 9,500-pupil district budgets the $10,000 as part of the cost of property insurance, rather than identifying it as a reserve.

5. Review and evaluate the risk management program. As time passes, new risks arise and old risks diminish or cease to exist. For this reason, said Webb, the risk management program must be reviewed in its entirety at least once a year. For those risks presently identified, the manager should review how often the risks have occurred and the magnitude of losses to determine if there should be any change in their status as insured or uninsured risks. The review should include an effort to identify any new risks and determine the appropriate technique for handling them.

Caution: Get the facts when self-insuring. No district should embark on a self-insurance program without knowing its past history of losses, Roos cautioned. Unfortunately, some insurance companies will not furnish this information to their clients. When those figures are available, the district should "plug in inflation" in determining future losses. For example, when considering workers compensation, compute the current salary and fringe benefits of a person injured five years ago to determine the cost of that injury if it happened today.

Roos suggested that one source to help districts prepare those calculations — possibly at no cost — is a university statistics, finance or insurance professor. Such a professor might assign a graduate student to the task as a term project.

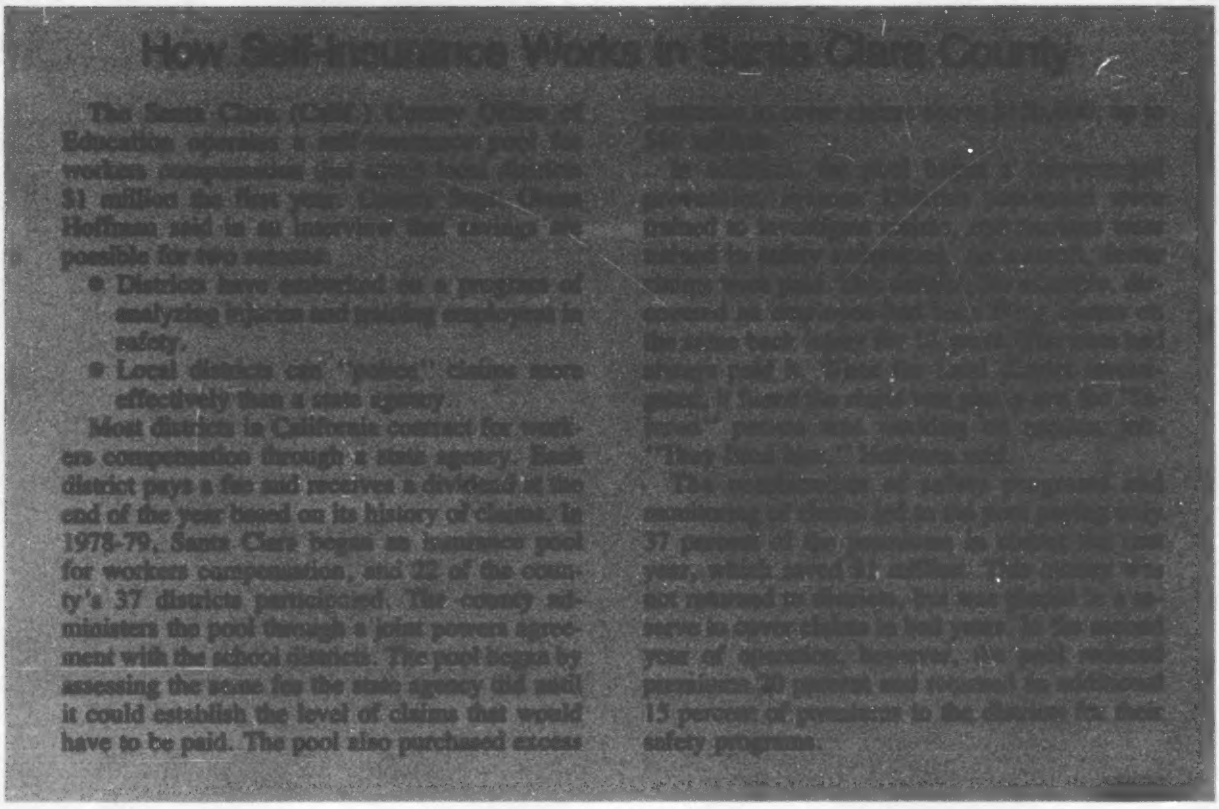
How many years should be reviewed? According to actuaries, five years of statistics provides a good base for projecting future losses. *Note:* Such records can also provide useful information for a safety program. For example, if accidents recur in a certain area of the bus garage, a check might reveal leaking fluid that causes maintenance employees to slip and fall.

Choosing an Insurance Company

When purchasing insurance, price should not be the only consideration, advises the California State Department of Education in its handbook, *Administration of the School District Risk Management Program*. (Order from: Publications Sales, California State Department of Education, P.O. Box 271, Sacramento, Calif. 95802; $2.50; California residents, add 6 percent sales tax.) Instead, a district should consider a company's financial stability and reputation for performance and the reputation of the agent who represents it.

Where lines of insurance are competitive, such as casualty policies, negotiate for quotations rather than using a formal bidding process, the handbook advises.

"Insurance must be dealt with as a whole," the



handbook adds. "A sound insurance program cannot result from a collection of unrelated insurance policies."

Experts recommend that districts retain an insurance adviser, whether an agent, a broker or a consultant. The California handbook notes that the district insurance adviser can help with the following tasks: establishing a risk management program; securing and maintaining adequate records; recommending the placement of insurance; seeking rate reductions through negotiations with rating bureaus for removal of penalties and recognition of credits; securing favorable fire insurance rates by suggesting elimination of fire hazards, reviewing plans for new buildings for fire safety and suggesting fire-detecting and fire-arresting equipment; and providing advice and assistance in the settlement of claims.

Workers Compensation

Workers compensation is a good place to start self-insuring, according to experts consulted for this report. Why? Several factors regarding workers compensation are predictable: the number of employees is known, the amount of benefits is usually prescribed by the state and the likelihood of different types of injuries is known.

Who should self-insure workers compensation? One insurance expert said self-insuring is generally for medium-large to large districts. Nester Roos suggested that districts paying workers compensation premiums of $100,000 a year or more should consider self-insurance.

One expert suggested three other considerations in the decision to self-insure:

1. The district's past experience regarding the number of claims filed. The number of claims filed may be unrelated to the number of employees, but may bear a direct relation to the morale of the district. In districts where morale is low, employees tend to stay home often for minor reasons and tend to stay out longer.
2. The level of information employees have about benefits and claims. Districts with active unions often have many claims, because union leaders inform their members of benefits and help them file claims.
3. Accessibility of legal advice. Districts that self-insure must defend all claims (have legal counsel). When districts insure with a company, part of the

premium is used for legal defense of the employer (the school district). If districts self-insure only up to a certain amount, they must have legal counsel for those claims. The insurance company that is excess carrier would pay legal costs for claims above the self-insured amount.

Caution: An excess carrier often will pressure a school district to settle a claim at a lower amount quickly, one expert advised, because an extended case will force the excess carrier to incur legal costs.

Others Ways To Reduce Costs

A workers compensation self-insurance feasibility study for the Portland (Ore.) Public Schools noted that compensation costs for the district increased 15 to 25 percent annually for the period studied, 1972 to 1977. The study indicated that the district could reduce costs $1 million a year by self-insuring, rather than using the state insurance fund.

In addition to recommending self-insurance, the study proposed a number of steps to further reduce workers compensation costs:

- **Emphasize safety.** In a district with geographically dispersed buildings, it is important for immediate supervisors to stress safety to their employees.
- **Make departments accountable.** Compensation premium expense usually is budgeted with employee benefits, which "hides" the costs from department budgets. Industry, on the other hand, considers employee accident expense as a part of the cost of furnishing a service. The Portland study recommended allocating premium and medical costs by department as a tool for controlling expenses.

Note: This advice appears to contradict tips given by other experts that workers compensation should be included with other employee benefits. It is possible, however, to budget compensation expense by department and still compute workers compensation as a percent of salary. The latter information is used for psychological purposes — showing employees the extent of their benefits.

- **Change policies that inhibit return to work.** Typically, employees cannot return to work without a medical release slip. The Portland study pointed out, however, that it may be possible to give the employee alternate, less strenuous assignments that would permit an earlier return to work.
- **Require pre-employment physicals.** Physicals designed to meet the requirements of a job should be given to every applicant for maintenance, cafeteria and custodial positions "to screen applicants physically unable to perform the job requirements," the Portland study recommended.

Caution: Physical requirements must be directly related to the job or the district may find itself charged with sex discrimination. In recent years, the federal government has repeatedly invalidated physical agility tests required of police applicants on the grounds the tests discriminated against women.

- **Eliminate contract benefits that encourage employees to stay home.** An example would be agreeing to pay the difference between workers compensation benefits and the employee's normal salary, over a long period of time.
- **Investigate claims and use the information to develop a loss control program.** In the past, Portland was dependent on the State Accident Insurance Fund to investigate major workers compensation claims. The state agency's attitude, according to the Portland study, was that the district had paid for premiums, so claims should be paid. A look at the district's records indicated that a large percentage of the accidents were due to unsafe acts. Many of them could have been prevented through a safety program.

Note: Safety programs are not without their own costs. A safety coordinator and a training program may require the hiring of additional staff. If the program reduces debilitating accidents, however, staff members will pay for themselves.

Unemployment Compensation

Unemployment compensation is a "risk" that is relatively new to school districts. The provision of unemployment benefits was not extended to public employees until Jan. 1, 1978.

In most states, school districts have a choice of paying a tax to the state unemployment commission (a form of insurance) or of reimbursing the commission for claims. The tax is based on a proportion of each employee's salary. The reimbursement route is a form of self-insurance because the district must maintain a reserve to cover anticipated claims.

Pros and Cons: The advantage of reimbursement is that a district has more control over the process. It can contest claims the state unemployment office might otherwise pay. The disadvantage of reimbursement is that a district might be liable for an inordinately high number of claims if it is forced to lay off large numbers of teachers. Districts planning to RIF many teachers would probably be better off using the state tax route.

Chicago Schools: Fighting Every Claim

The Chicago School District elected to reimburse the state so it could closely monitor unemployment compensation claims. In 1978, the first year of the district's obligation, 4,500 claims were filed. The phi-

losophy in Chicago is to fight every claim to keep a check on abuse. "We win a lot, and we lose a lot," Guy Brunetti told the National Association of Educational Negotiators.

Fighting unemployment claims is time-consuming. In early 1979, Chicago's schools protested an average of five cases a day at hearings. A small district with few claims may not feel it is worth the staff time. In Chicago, the stakes are high. In the first year, the district paid $2.1 million in claims, while its potential liability was $12 million.

Two things are key to winning claims protests: documentation and timeliness.

The Chicago district tries to keep accurate records of a person's work history, when the employee left and why. "When a person resigns or quits," a spokesman said, "it is to the district's advantage to have a local supervisor get a statement as to why the person is leaving." Also, the district must carefully follow all due process steps and document why a person is terminated.

Note: The reason for termination can affect the claim amount. In some states, certain circumstances can cause a delay in the start of benefits. Other reasons, such as insubordination, may cause the claim to be rejected entirely.

Timeliness: In Illinois, a district has only seven days following receipt of a claim to file a protest. For this reason, the staff must have immediate access to a person's work records.

A Third Alternative: The State Co-op

At least two state school boards associations — Pennsylvania and Kentucky — operate insurance trusts for unemployment compensation. The Better Unemployment Compensation System (BUCS) in Pennsylvania saved school districts $14.2 million in 1978 — its first year of existence.

This is how BUCS works. Pennsylvania districts can pay an unemployment tax to the state of 2 percent of the first $6,000 of an employee's salary, or they can go the reimbursement route. A Pennsylvania School Boards Association (PSBA) study indicated that many districts would choose to pay the 2 percent rather than tackle the administration of a new program. BUCS charges each district 1 percent of the first $6,000 — half the state rate.

The program is managed by R.E. Harrington, a company based in Columbus, Ohio, that specializes in unemployment compensation. BUCS purchases excess insurance through Lloyds of London which pays compensation claims that exceed 1.75 percent of the first $6,000 of a district's taxable payroll.

Districts saved $10 million by paying 1 percent rather than 2 percent for compensation insurance during the first year of BUCS, said Richard Phelps, assistant director of the PSBA Insurance Trust, in an interview for this report. They saved an additional $2.2 million through a dividend earned by the trust. The second $2.2 million was retained by BUCS as a reserve for years when claims are higher.

Individual districts saved an average 75 percent over what their insurance bill from the state would have been. Why? The dividend amounted to approximately half of each district's contribution. For example, a district that paid the trust $50,000 for compensation insurance received a dividend of $25,000 for 1978. If that district had paid the 2 percent unemployment compensation tax, the cost would have been $100,000 rather than $25,000 (after the rebate).

Advantages of the trust: (1) No district is excluded because of past experience. BUCS stipulates that its carrier must accept all districts that apply. (2) A cooperative of districts has the combined purchasing power to demand a dividend of its carrier.

Disadvantage of the trust: Premiums are somewhat higher because the carrier must cover "bad risks" as well as districts with good experience. However, districts with good experience do get some reduction in premiums.

For more information, contact Richard L. Phelps, Pennsylvania School Boards Association, Inc., 412 N. Second St., Harrisburg, Pa. 17101.

Tips for Cutting Costs

Phelps, the Chicago schools' spokesmen and a number of others offered the following tips for reining in unemployment costs:

- **Carry excess insurance.** No district should plan to reimburse without an excess insurance policy to cover a catastrophe, Phelps said. He said he knew of only one carrier in the United States that offered unemployment compensation insurance: Safety Mutual Insurance Co. of St. Louis. BUCS uses Lloyds of London because Safety Mutual was unavailable in Pennsylvania.
- **Hire a consultant.** Districts need a trained professional consultant because they are inexperienced in the area of unemployment compensation and "will pay much more than they should," Phelps said.
- **Be aware that the burden of proof (at least in Illinois) is on the employer.** The school district must be able to document each statement made about an employee at a hearing. The same is not required of the employee.
- **Have witnesses at the hearing, if possible.**
- **Make sure several persons in the district personnel office are trained to retrieve the kind of information needed to file a protest.**

- **Be careful in hiring.** "There is a hard-core group that works only long enough to qualify for benefits," a Chicago district spokesman said. Be sure the right person is hired for a job to reduce turnover. To avoid layoffs, consider transfers or reducing the employee's hours. Try to maintain a constant level of employment. Instead of hiring additional persons for peak periods, redistribute the work load.

- **Avoid paying unemployment for early retirees.** Persons who retire may later file unemployment claims if their financial circumstances change. If they cannot find a job, the district may pay unemployment as the last employer. In cases of early retirement, obtain a statement from the retiree that the retirement is voluntary, so a claim cannot be filed later that it was mandatory.

- **Tighten dismissal procedures.**

- **Know the state legal requirements on unemployment compensation.** In Chicago, for example, a person can legitimately refuse work if the distance to be traveled one way exceeds one and one-half miles. A similar problem: A part-time worker who does not earn an amount equal to the typical weekly unemployment rate ($135 in Illinois) can file a partial claim against the district.

- **Refuse to pay for mistakes of the state unemployment office.**

- **Be innovative in hiring decisions.** One example: If a district is required to have a nutrition program that calls for hiring a person for one hour daily, give the extra hour to a current employee, e.g., a teacher's aide — rather than risk having to pay a claim for partial unemployment benefits.

- **Check unemployment claims for accuracy.** Smaller districts can join with other districts in a monitoring service. The Illinois Association of School Boards offered the services of a group to monitor employee claims, and more than half of the state's 1,000 school districts joined.

- **Periodically check the school system's account with the state to make sure improper charges are deducted.**

- **Offer a former employee a job (if one is available) when he or she files for compensation.** If the person refuses, the district does not have to pay unemployment.

Substitutes and Part-Timers

When Congress amended the unemployment law to include public employers, the new act, P.L. 94-566, placed substitutes in the same category as other part-time workers. The law says that school districts do not have to pay teachers or nonprofessionals for summer vacations as long as they have a contract or "reasonable assurance" of employment the following school term. School districts have fulfilled this provision by sending letters to nonprofessional employees stating their intent to reemploy and publishing lists of substitutes in order of seniority. Congress also has said states could deny benefits to school employees who are unemployed during normal vacation periods that occur during an academic year.

In spite of those provisions, a number of problems remain. Generalizations are difficult, because each state has its own qualification requirements. Typically, however, an employee must have earned a minimum amount (such as Pennsylvania's $400 for two consecutive quarters), and the level of benefits depends on the amount earned in four out of the previous five quarters.

The method of assessing the employer varies, too. For example, if a substitute works for District A on Monday, District B on Tuesday and District C on Wednesday and no one calls for Thursday or Friday, the substitute may qualify for unemployment. In Pennsylvania, said Phelps, the cost would be prorated among the three districts. In New York, he added, the last district would be stuck with the entire cost.

Another problem: in some states, striking teachers can collect unemployment benefits. And when striking teachers idle other, nonstriking employees (because the schools close), those nonprofessionals are eligible.

Districts have been trying some of the following alternatives to minimize unwarranted claims:

- Pare the list of substitutes to create a cadre of permanent substitutes who are never unemployed. A variation is to provide substitute time for retirees as part of an early retirement incentive program. Drawback: Limiting the number of substitutes may reduce some specialized courses to caretaking operations during the regular teacher's absenteeism.

- Reduce the number of part-time persons hired to teach adult evening courses. Drawback: The regular teacher's hourly pay is probably higher than what would be paid the part-timers.

- Hire substitutes only for a short time so they cannot earn enough money to qualify. Drawback: This imposes a bookkeeping burden on the district.

Cautions: Districts accepting federal grants should try to fill any new jobs with persons qualified to perform other duties in the district. If the program is not continued and the employees cannot be used in other positions, the district may end up paying unemployment. *Another problem:* If an employee leaves the district, obtains a new job and it ends, the district may be liable for unemployment because the wage base may extend back 18 months.